

Redford Union School District #1

Financial Statements

June 30, 2017



Table of Contents

Section		Page
1	Members of the Board of Education and Administration	1 - 1
2	Independent Auditors' Report	2 - 1
3	Management's Discussion and Analysis	3 - 1
4	Basic Financial Statements	
	District-wide Financial Statements	
	Statement of Net Position	4 - 1
	Statement of Activities	4 - 3
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 - 4
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 - 6
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 7
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 9
	Fiduciary Funds	
	Statement of Assets and Liabilities	4 - 10
	Notes to the Financial Statements	4 - 11

Section

Page

5

Required Supplementary Information

Budgetary Comparison Schedule – General Fund	5 - 1
Budgetary Comparison Schedule – Special Education Center Program	5 - 3
Schedule of the School District’s Proportionate Share of the Net Pension Liability	5 - 4
Schedule of the School District’s Contributions	5 - 5

6

Other Supplementary Information

Nonmajor Governmental Funds	
Combining Balance Sheet	6 - 1
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	6 - 3

Redford Union School District #1
Members of the Board of Education and Administration
June 30, 2017

Members of the Board of Education

Jennifer Kurland – President

Lisa Gubachy – Vice-President

Patricia Isabell – Secretary

Evelyn Pridemore – Treasurer

Sherri Caloia – Trustee

Christine Doby – Trustee

Terri Graham - Trustee

Administration

Dr. Sarena Shivers – Superintendent



800.968.0010 | yeoandyeo.com

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School 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.

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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Redford Union School District #1, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As discussed in Note 14 to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters:

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Redford Union School District #1's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017 on our consideration of Redford Union School District #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Redford Union School District #1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Redford Union School District #1's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, MI
October 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Redford Union School District #1
Management's Discussion and Analysis
June 30, 2017

Fund Financial Statements

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

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

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

Financial Analysis of the District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. The following provides a summary of the District's net position as of June 30, 2017 and 2016:

	Governmental Activities June 30, 2017	Governmental Activities June 30, 2016
Assets and Deferred Outflows		
Current assets	\$ 16,899,393	\$ 17,714,674
Capital assets	19,507,211	21,682,580
Deferred outflows of resources	9,035,002	5,885,997
Total assets and deferred outflows	<u>45,441,606</u>	<u>45,283,251</u>
Liabilities and Deferred Inflows		
Current liabilities	8,304,350	12,779,390
Noncurrent liabilities	69,008,102	65,805,423
Deferred inflows of resources	1,797,206	1,505,841
Total liabilities and deferred inflows	<u>79,109,658</u>	<u>80,090,654</u>
Net Position		
Capital assets, net related debt	3,634,186	3,680,779
Restricted	2,416,268	1,829,636
Unrestricted (deficit)	(39,718,506)	(40,317,818)
Total net position	<u>\$ (33,668,052)</u>	<u>\$ (34,807,403)</u>

The above analysis focuses on the net position. The change in net position of the District's governmental activities is discussed below.

The District's net position was (\$33,668,052) and (\$34,807,403) at June 30, 2017 and 2016, respectively. By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions. Net investment capital assets totaling \$3,634,186 and \$3,680,779 at June 30, 2017 and 2016, respectively, compares the original cost, less depreciation of the District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the

Redford Union School District #1
Management's Discussion and Analysis
June 30, 2017

debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net position for day-to-day operations. Net position restricted was \$2,416,268 and \$1,829,636 at June 30, 2017 and 2016, respectively. The remaining amount of net position, (\$39,718,506) and (\$40,317,818) at June 30, 2017 and 2016, respectively, was unrestricted.

The (\$39,718,506) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position shows how the District is able to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the changes in net position for fiscal years 2017 and 2016.

	Governmental Activities Year Ended June 30, 2017	Governmental Activities Year Ended June 30, 2016
Revenues		
Program revenues		
Charges for services	\$ 826,967	\$ 804,675
Operating grants and contributions	20,713,849	16,811,492
General revenues		
Property taxes	5,991,700	6,039,207
State foundation allowance	19,888,904	20,919,480
Other	327,401	317,294
Total revenues	47,748,821	44,892,148
Expenses		
Instruction	27,848,336	24,111,829
Support services	15,502,244	12,914,490
Food services	1,236,343	1,079,224
Other transactions	1,277,347	3,618,791
Total expenses	45,864,270	41,724,334
Increase in net position	\$ 1,884,551	\$ 3,167,814

As reported in the statement of activities, the cost of all of our governmental activities this year was \$45,864,270. Certain activities were partially funded from those who benefited from the programs (\$826,967) or by other governments and organizations that subsidized certain programs with grants and contributions (\$20,713,849). We paid for the remaining "public benefit" portion of our governmental activities with \$5,991,700 in taxes, \$20,216,305 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The District experienced an increase in net position of \$1,884,551. The key reason for the change in net position in 2016-2017 is an increase in state revenue due to increased enrollment.

Redford Union School District #1
Management's Discussion and Analysis
June 30, 2017

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

The School District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of \$8,902,571, which is an increase of \$1,964,833 from last year. The primary reasons for the change are as follows:

In the General Fund, our principal operating fund, the fund balance increased from \$4,728,195 to \$6,141,460. The change is due mainly to an increase in revenue compared to the prior year.

Our Special Education Center Program Fund fund balance (\$0) was unchanged from the prior year

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year-end. A schedule showing the

District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were revisions made to the 2016-2017 General Fund original budget. Budgeted revenues and other financing sources were decreased by approximately \$185,000.

Budgeted expenditures and other financing uses were decreased by approximately \$612,000 due to a decrease in enrollment with online academies and shared services.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the District had \$19,507,211 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including disposals and depreciation) of \$2,175,369, or 10 percent, from last year.

Assets	2017	2016
Land	\$ 30,123	\$ 30,123
Buildings and additions	54,112,591	54,112,591
Buses and vehicles	43,650	43,650
Equipment and furniture	5,880,078	5,788,963
Subtotal	<u>60,066,442</u>	<u>59,975,327</u>
Less accumulated depreciation	<u>(40,559,231)</u>	<u>(38,292,747)</u>
	<u>\$ 19,507,211</u>	<u>\$ 21,682,580</u>

This year's additions of \$91,115 consisted mainly of equipment. No additional debt was issued for this addition.

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

Redford Union School District #1
Management’s Discussion and Analysis
June 30, 2017

Debt

At the end of this year, the District had \$16,002,801 in debt outstanding versus \$18,116,801 in the previous year – a change of 12%. Those bonds consisted of the following:

	2017	2016
1997 School Improvement Bonds	\$ 7,660,000	\$ 7,660,000
2007 School Improvement Bonds	605,000	1,145,000
2009 School Improvement Bonds	7,710,000	9,270,000
Installment Loan	27,801	41,801
	\$ 16,002,801	\$ 18,116,801

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District’s boundaries. If the District issues “qualified debt”, i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The District’s outstanding unqualified general obligation debt of \$16,002,801 is below the statutory imposed limit.

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

Economic Factors and Next Year’s Budget and Rates

Our elected officials and administration considered many factors when setting the District’s 2017-2018 fiscal year budget. One of the most important factors affecting the budget is our student count and state foundation revenue. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2017 fiscal year is 10 percent and 90 percent of the February 2016 and October 2016 student counts, respectively. The 2017-2018 budget was adopted in June 2017, based on an estimate of students who will be enrolled in September 2017. Approximately 80 percent of total General Fund revenue is from the foundation allowance. Under state law, the District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State’s ability to fund local school operations. Based on early enrollment data at the start of the 2017-2018 school year, we anticipate that the fall student count will be better with the estimates used in creating the 2017-2018 budget. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations.

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

Redford Union School District #1
Management's Discussion and Analysis
June 30, 2017

Requests for Information

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

17715 Brady Street, Redford, MI 48240
Business Office

Assistant Superintendent of Business
Greg McIntyre
(313) 242-6009

Accounting Manager
Jennie Li
(313) 242-6015

BASIC FINANCIAL STATEMENTS

Redford Union School District #1
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash	\$ 9,651,478
Accounts receivable	24,009
Due from other governmental units	7,197,246
Inventory	18,753
Prepaid items	7,907
Capital assets not being depreciated	30,123
Capital assets - net of accumulated depreciation	<u>19,477,088</u>
 Total assets	 <u>36,406,604</u>
 Deferred Outflows of Resources	
Deferred amount relating to net pension liability	9,008,067
Deferred amount on debt refunding	<u>26,935</u>
 Total deferred outflows of resources	 <u>9,035,002</u>
 Total assets and deferred outflows of resources	 <u>45,441,606</u>

See Accompanying Notes to the Financial Statements

Redford Union School District #1
Statement of Net Position
June 30, 2017

	Governmental Activities
Liabilities	
Accounts payable	\$ 313,677
State aid anticipation note payable	4,168,645
Due to other governmental units	530,294
Accrued expenditures	616,095
Accrued salaries payable	2,670,818
Unearned revenue	4,821
Noncurrent liabilities	
Net pension liability	52,533,626
Due within one year	2,259,000
Due in more than one year	14,215,476
Total liabilities	77,312,452
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	1,797,206
Total liabilities and deferred inflows of resources	79,109,658
Net Position	
Net investment in capital assets	3,634,186
Restricted for	
Food service	877,171
Debt service	1,539,097
Unrestricted	(39,718,506)
Total net position	\$ (33,668,052)

See Accompanying Notes to the Financial Statements

Redford Union School District #1
Governmental Funds
Balance Sheet
June 30, 2017

	<u>General Fund</u>	<u>Special Education Center Program</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 8,165,932	\$ -	\$ 1,485,546	\$ 9,651,478
Accounts receivable	21,459	-	2,550	24,009
Due from other funds	507,588	-	971,237	1,478,825
Due from other governmental units	6,395,296	508,929	293,021	7,197,246
Inventory	-	-	18,753	18,753
Prepaid items	7,907	-	-	7,907
	<u>7,907</u>	<u>-</u>	<u>-</u>	<u>7,907</u>
 Total assets	 <u>\$ 15,098,182</u>	 <u>\$ 508,929</u>	 <u>\$ 2,771,107</u>	 <u>\$ 18,378,218</u>
Liabilities				
Accounts payable	\$ 302,941	\$ 1,341	\$ 9,395	\$ 313,677
State aid anticipation note payable	4,168,645	-	-	4,168,645
Due to other funds	971,237	507,588	-	1,478,825
Due to other governmental units	530,294	-	-	530,294
Accrued expenditures	181,787	-	-	181,787
Accrued salaries payable	2,670,818	-	-	2,670,818
Unearned revenue	4,220	-	601	4,821
	<u>4,220</u>	<u>-</u>	<u>601</u>	<u>4,821</u>
 Total liabilities	 <u>8,829,942</u>	 <u>508,929</u>	 <u>9,996</u>	 <u>9,348,867</u>

See Accompanying Notes to the Financial Statements

Redford Union School District #1
Governmental Funds
Balance Sheet
June 30, 2017

	<u>General Fund</u>	<u>Special Education Center Program</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Deferred Inflows of Resources				
Unavailable revenue				
Grants	\$ 48,331	\$ -	\$ -	\$ 48,331
Enhancement millage	<u>78,449</u>	<u>-</u>	<u>-</u>	<u>78,449</u>
Total deferred inflows of resources	<u>126,780</u>	<u>-</u>	<u>-</u>	<u>126,780</u>
Fund Balances				
Non-spendable				
Inventory	-	-	18,753	18,753
Prepaid items	7,907	-	-	7,907
Restricted for				
Food service	-	-	966,413	966,413
Debt service	-	-	1,700,905	1,700,905
Capital projects	-	-	75,040	75,040
Unassigned	<u>6,133,553</u>	<u>-</u>	<u>-</u>	<u>6,133,553</u>
Total fund balances	<u>6,141,460</u>	<u>-</u>	<u>2,761,111</u>	<u>8,902,571</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 15,098,182</u>	 <u>\$ 508,929</u>	 <u>\$ 2,771,107</u>	 <u>\$ 18,378,218</u>

See Accompanying Notes to the Financial Statements

Redford Union School District #1
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances for governmental funds	\$ 8,902,571
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds	
Enhancement millage	78,449
Operating grants	48,331
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets not being depreciated	30,123
Capital assets - net of accumulated depreciation	19,477,088
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	26,935
Deferred inflows of resources resulting from net pension liability	(1,797,206)
Deferred outflows of resources resulting from net pension liability	9,008,067
Certain liabilities are not due and payable in the current period and are not reported in the funds	
Accrued interest	(161,808)
Incurred but not reported benefit claims	(272,500)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities	
Net pension liability	(52,533,626)
Compensated absences	(471,675)
Bonds payable	(15,975,000)
Other loans payable and liabilities	<u>(27,801)</u>
Net position of governmental activities	<u><u>\$ (33,668,052)</u></u>

See Accompanying Notes to the Financial Statements

Redford Union School District #1
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Education Center Program</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local sources	\$ 3,381,765	\$ -	\$ 3,418,095	\$ 6,799,860
State sources	25,722,852	2,841,628	46,398	28,610,878
Federal sources	2,660,577	351,540	1,593,814	4,605,931
Interdistrict sources	<u>1,733,195</u>	<u>5,872,177</u>	<u>-</u>	<u>7,605,372</u>
Total revenues	<u>33,498,389</u>	<u>9,065,345</u>	<u>5,058,307</u>	<u>47,622,041</u>
Expenditures				
Current				
Education				
Instruction	20,893,803	5,486,252	-	26,380,055
Supporting services	10,833,913	3,790,766	-	14,624,679
Food services	-	-	1,162,009	1,162,009
Community services	153,709	-	-	153,709
Capital outlay	-	-	96,331	96,331
Debt service				
Principal	14,000	-	2,100,000	2,114,000
Interest and other expenditures	<u>-</u>	<u>-</u>	<u>1,126,425</u>	<u>1,126,425</u>
Total expenditures	<u>31,895,425</u>	<u>9,277,018</u>	<u>4,484,765</u>	<u>45,657,208</u>
Excess (deficiency) of revenues over expenditures	<u>1,602,964</u>	<u>(211,673)</u>	<u>573,542</u>	<u>1,964,833</u>

See Accompanying Notes to the Financial Statements

Redford Union School District #1
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Education Center Program</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)				
Transfers in	\$ 21,974	\$ 211,673	\$ 2,840,225	\$ 3,073,872
Transfers out	<u>(211,673)</u>	<u>-</u>	<u>(2,862,199)</u>	<u>(3,073,872)</u>
Total other financing sources (uses)	<u>(189,699)</u>	<u>211,673</u>	<u>(21,974)</u>	<u>-</u>
Net change in fund balances	1,413,265	-	551,568	1,964,833
Fund balances - beginning, as restated	<u>4,728,195</u>	<u>-</u>	<u>2,209,543</u>	<u>6,937,738</u>
Fund balances - ending	<u>\$ 6,141,460</u>	<u>\$ -</u>	<u>\$ 2,761,111</u>	<u>\$ 8,902,571</u>

See Accompanying Notes to the Financial Statements

Redford Union School District #1
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - Total governmental funds	\$ 1,964,833
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Enhancement millage	78,449
Operating grants	48,331
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.	
Depreciation expense	(2,266,484)
Capital outlay	91,115
Expenses are recorded when incurred in the statement of activities.	
Interest	25,396
Benefit claims	(21,500)
Compensated absences	114,675
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(3,121,904)
Net change in deferrals of resources related to the net pension liability	506,509
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	2,364,597
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	2,114,000
Amortization of deferred amount on debt refunding	(13,466)
Change in net position of governmental activities	<u>\$ 1,884,551</u>

See Accompanying Notes to the Financial Statements

Redford Union School District #1
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash	\$ <u>132,101</u>
Liabilities	
Due to agency fund activities	\$ <u>132,101</u>

See Accompanying Notes to the Financial Statements

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the MTC School (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

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

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Special Education Center Program Fund – The Special Education Fund consists of those activities involved in operating the programs necessary to provide for the education of students identified as needing special education services. The Fund's revenue sources include property taxes, federal and state sources, and inter-governmental reimbursements.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The 2009 Bond Issue Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2017, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
 Debt Service Funds	 9.50000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 100% of the School District's tax roll lies within Wayne County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Wayne and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not

add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Compensated Absences – The School District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probably to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred

and amortized over the expected remaining services lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of education, the budget or finance committee, or a delegated municipality official. The Board of Education has not granted authority elsewhere to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Upcoming Accounting and Reporting Changes

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions

that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Operations and maintenance	\$ 2,728,320	\$ 2,748,616	\$ 20,296
Pupil transportation services	1,318,860	1,384,882	66,022
Central	1,074,623	1,101,179	26,556
Athletic activities	294,522	303,617	9,095
Transfers out	54,782	211,673	156,891
Special Education Center Program Fund	8,905,144	9,277,018	371,874
Food Service Fund			
Food services	1,128,133	1,162,009	33,876
Transfers out	18,321	21,974	3,653

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$39,718,506 as of June 30, 2017. There are no governmental funds with a deficit.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash	<u>\$ 9,651,478</u>	<u>\$ 132,101</u>	<u>\$ 9,783,579</u>

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 9,324,552
Investments in securities, mutual funds, and similar vehicles	457,528
Petty cash and cash on hand	1,499
Total	\$ 9,783,579

As of year end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund - CMS	\$ 457,528	6 months average	AAA	Standard & Poor's

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer..

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$9,479,305 of the School District’s bank balance of \$9,963,409 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District’s investments were exposed to custodial credit risk.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

The School District has the following recurring fair value measurements as of June 30, 2017:

- Amounts invested in MILAF + Cash Management Class of \$457,528. The MILAF + Cash Management Class is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs).

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 30,123	\$ -	\$ -	\$ 30,123
Capital assets being depreciated				
Buildings and additions	54,112,591		-	54,112,591
Equipment and furniture	5,788,963	91,115	-	5,880,078
Buses and other vehicles	43,650	-	-	43,650
Total capital assets being depreciated	<u>59,945,204</u>	<u>91,115</u>	<u>-</u>	<u>60,036,319</u>
Less accumulated depreciation for				
Buildings and additions	33,124,874	2,169,286	-	35,294,160
Equipment and furniture	5,126,952	94,469	-	5,221,421
Buses and other vehicles	40,921	2,729	-	43,650
Total accumulated depreciation	<u>38,292,747</u>	<u>2,266,484</u>	<u>-</u>	<u>40,559,231</u>
Net capital assets being depreciated	<u>21,652,457</u>	<u>(2,175,369)</u>	<u>-</u>	<u>19,477,088</u>
Net capital assets	<u>\$ 21,682,580</u>	<u>\$ (2,175,369)</u>	<u>\$ -</u>	<u>\$ 19,507,211</u>

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 1,412,791
Supporting services	783,229
Food services	62,232
Community services	<u>8,232</u>
Total governmental activities	<u>\$ 2,266,484</u>

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General Fund	Special Education Center Program Fund	\$ 507,588
1997 Bond Issue Fund	General Fund	8,795
Food Service Fund	General Fund	<u>962,442</u>
		<u>\$ 1,478,825</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Other Governmental Funds	Total
Transfers in			
General Fund	\$ -	\$ 21,974	\$ 21,974
Special Education Center Program Fund	211,673	-	211,673
Other governmental funds	<u>-</u>	<u>2,840,225</u>	<u>2,840,225</u>
	<u>\$ 211,673</u>	<u>\$ 2,862,199</u>	<u>\$ 3,073,872</u>

These transfers were made between the General Fund and Special Education Center Program Fund to cover indirect costs and to transfer the change in fund balance back to the General Fund. A transfer was made to reimburse General Fund for indirect costs incurred by the Food Service Program. The transfer between the nonmajor governmental funds were to ensure the various debt service funds had enough cash available to make principal and interest payments as necessary.

Note 7 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 7,225,242	\$ 4,600,000	\$ 7,656,597	\$ 4,168,645

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation bonds	\$ 18,075,000	\$ -	\$ 2,100,000	\$ 15,975,000	\$ 2,245,000
Installment loans	41,801	-	14,000	27,801	14,000
Compensated absences	<u>586,350</u>	<u>275,992</u>	<u>390,667</u>	<u>471,675</u>	<u>-</u>
Total	<u>\$ 18,703,151</u>	<u>\$ 275,992</u>	<u>\$ 2,504,667</u>	<u>\$ 16,474,476</u>	<u>\$ 2,259,000</u>

For governmental activities, compensated absences and installment loans are primarily liquidated by the General Fund.

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

General obligation bonds payable at year end, consist of the following:

\$35,575,000 1997 Refunding Bonds due in annual installments of \$1,715,000 to \$2,120,000 through May 1, 2022, interest at 5.00% to 5.125%, payable semi-annually	\$ 7,660,000
\$6,590,000 2007 Refunding Bonds due in annual installments of \$540,000 to \$605,000 through May 1, 2018, interest at 4.00%, payable semi-annually	605,000
\$12,530,000 2009 Building and Site Bonds due in annual installments of \$630,000 to \$1,730,000 through May 1, 2024, interest at 7.00% to 7.75%, payable semi-annually	<u>7,710,000</u>
Total general obligation bonded debt	<u>\$ 15,975,000</u>

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2018	\$ 2,245,000	\$ 992,425	\$ 3,237,425
2019	2,345,000	767,675	3,112,675
2020	2,485,000	626,600	3,111,600
2021	2,640,000	478,000	3,118,000
2022	2,820,000	320,850	3,140,850
2023 - 2027	<u>3,440,000</u>	<u>399,125</u>	<u>3,839,125</u>
Total	<u>\$ 15,975,000</u>	<u>\$ 3,584,675</u>	<u>\$ 19,559,675</u>

The general obligation bonds are payable from the Debt Service Funds. As of June 30, 2017, the fund had a balance of \$1,700,905 to pay this debt. Future debt and interest will be payable from future tax levies.

Installment Loan

The School District has an installment agreement dated July 29, 2014. The loan is due in quarterly installments ranging from \$3,301 to \$3,500 through April 1, 2019.

Future principal and interest requirements for the installment note are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2018	\$ 14,000	\$ -	\$ 14,000
2019	<u>13,801</u>	<u>-</u>	<u>13,801</u>
Total	<u>\$ 27,801</u>	<u>\$ -</u>	<u>\$ 27,801</u>

Compensated Absences

Accrued compensated absences at year end, consist of \$471,675 of vacation hours earned and vested and accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Deferred Amount on Refunding

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$26,935. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2019.

Note 9 - Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District participates in the Metropolitan Association for Improved School Legislation (MAISL) risk pool for claims relating to property loss, torts, errors and omissions; the District is self-insured for workers'

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

compensation, up to certain limits but carries stop-loss insurance for excess claims in these areas. The District carries commercial insurance for various other liability exposures. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide statements in accrued expenditures.

Changes in the estimated liability for the past two fiscal years were as follows:

	2017	2016
Estimated liability, beginning of the year	\$ 251,000	\$ 61,000
Estimated claims incurred including changes in estimates	99,622	242,202
Claim payments	(78,122)	(52,202)
Estimated liability, end of year	\$ 272,500	\$ 251,000

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

Note 10 - Pension Plans and Post-Employment Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State), originally created under Public Act 136 of 1945, recodified, and currently

operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. 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 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 www.michigan.gov/mpsers-cafr.

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 for DB plan members are determined by final average compensation and years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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 or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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.

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

Contributions and Funding Status

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 20 year period for the plan's 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0%	18.95%
Pension Plus	3.0 - 6.4%	17.73%
Defined Contribution	0.0%	14.56%

Required contributions to the pension plan from the School District were \$4,728,291 for the year ending September 30, 2016.

Net Pension Liability

At June 30, 2017, the School District reported a liability of \$52,533,626 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. The School District's proportionate share of the net pension

liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2016, the School District's proportionate share percent was 0.2106 percent, which was an increase of 0.0083 percent since the prior measurement date.

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

For the year ended June 30, 2017, the School District recognized total pension expense of \$5,489,084. The School District's actual contributions for the years ended June 30, 2017, 2016, and 2015 were approximately \$3,632,000, \$4,878,000, and \$3,777,000, respectively.

At June 30, 2017, the School 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
Difference between expected and actual experience	\$ 654,708	\$ 124,506
Changes in assumptions	821,322	-
Net difference between projected and actual earnings on pension plan investments	873,108	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,718,054	29,693
Employer contributions subsequent to the measurement date	4,940,875	1,643,007
Total	\$ 9,008,067	\$ 1,797,206

\$4,940,875 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, 2018. \$1,643,007 reported as deferred inflows of resources relating to pensions resulting from

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2018 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount
2017	\$ 895,672
2018	827,007
2019	1,726,910
2020	463,404
Total	\$ 3,912,993

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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2015
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - Pension Plus Plan (Hybrid): 7.0%

- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension 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 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 MPERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpers-cafr).

Long-Term Expected Return on Plan Assets

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

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

allocation as of September 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
	100.0%	

*Long term rate of return does not include 2.1% inflation

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)*	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)*	1% Increase (Non-Hybrid/Hybrid)*
7.0% / 6.0%	8.0% / 7.0%	9.0% / 8.0%
\$ 67,650,087	\$ 52,533,626	\$ 39,788,996

*Non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR. See the 2016 MPERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$1,206,000, \$1,094,000, and \$580,000, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2017, the School District had contributions in the amount of \$2,254,400 to the MPERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017

Note 11 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2017.

Note 12 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by Redford Charter Township. Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2017, the School District's property tax revenues were reduced by \$15,806 under these programs.

There are no abatements made by the School District.

Redford Union School District #1
Notes to the Financial Statements
June 30, 2017

Note 13 - Subsequent Event

Subsequent to June 30, 2017, the School District has paid the balance of the \$4,168,645 and accrued interest on the short-term state aid anticipation note borrowed in August 2016 and has subsequently borrowed \$3,000,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority.

Note 14 - Prior Period Adjustment

Beginning net assets and fund balance in the District-wide statements and General Fund have been adjusted as a result of not recording the health insurance accrual at year end. The District-wide statements have also been adjusted as a result of not recording the accrual for workers' compensation estimated claims incurred at year end. These adjustments related to the prior and current fiscal year, necessitating the restatement in fund balance and net assets.

The impact of this change on beginning net position for the District-wide statements and beginning fund balance for the General Fund is as follows:

	<u>District-Wide</u>	<u>General Fund</u>
Beginning balance	\$(34,807,403)	\$ 5,222,395
Workers' compensation accrual	(251,000)	-
Health accrual	<u>(494,200)</u>	<u>(494,200)</u>
Beginning balance, as restated	<u><u>\$(35,552,603)</u></u>	<u><u>\$ 4,728,195</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Redford Union School District #1
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 2,906,416	\$ 3,564,731	\$ 3,381,765	\$ (182,966)
State sources	29,064,424	25,659,165	25,722,852	63,687
Federal sources	2,185,114	2,884,142	2,660,577	(223,565)
Interdistrict sources	<u>395,920</u>	<u>1,596,262</u>	<u>1,733,195</u>	<u>136,933</u>
Total revenues	<u>34,551,874</u>	<u>33,704,300</u>	<u>33,498,389</u>	<u>(205,911)</u>
Expenditures				
Instruction				
Basic programs	13,921,590	14,967,301	14,713,994	(253,307)
Added needs	4,750,865	5,133,032	4,827,501	(305,531)
Adult and continuing education	3,990,573	1,449,700	1,352,308	(97,392)
Supporting services				
Pupil	2,052,227	2,110,071	1,931,059	(179,012)
Instructional staff	934,290	1,121,843	904,927	(216,916)
General administration	514,302	514,287	511,401	(2,886)
School administration	2,073,578	1,972,436	1,948,232	(24,204)
Operations and maintenance	2,677,576	2,728,320	2,748,616	20,296
Pupil transportation services	1,326,011	1,318,860	1,384,882	66,022
Central	723,123	1,074,623	1,101,179	26,556
Athletic activities	328,161	294,522	303,617	9,095
Community services	157,587	160,385	153,709	(6,676)
Debt service				
Principal	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>-</u>
Total expenditures	<u>33,463,883</u>	<u>32,859,380</u>	<u>31,895,425</u>	<u>(963,955)</u>
Excess (deficiency) of revenues over expenditures	<u>1,087,991</u>	<u>844,920</u>	<u>1,602,964</u>	<u>758,044</u>

Redford Union School District #1
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers in	\$ 349,000	\$ 1,011,182	\$ 21,974	\$ (989,208)
Transfers out	<u>(62,231)</u>	<u>(54,782)</u>	<u>(211,673)</u>	<u>(156,891)</u>
Total other financing sources (uses)	<u>286,769</u>	<u>956,400</u>	<u>(189,699)</u>	<u>(1,146,099)</u>
Net change in fund balance	1,374,760	1,801,320	1,413,265	(388,055)
Fund balance - beginning, as restated	<u>4,728,195</u>	<u>4,728,195</u>	<u>4,728,195</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,102,955</u>	<u>\$ 6,529,515</u>	<u>\$ 6,141,460</u>	<u>\$ (388,055)</u>

Redford Union School District #1
Required Supplementary Information
Budgetary Comparison Schedule - Special Education Center Program
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State sources	\$ 2,571,710	\$ 2,841,355	\$ 2,841,628	\$ 273
Federal sources	375,126	351,540	351,540	-
Interdistrict sources	<u>6,232,690</u>	<u>5,872,182</u>	<u>5,872,177</u>	<u>(5)</u>
Total revenues	<u>9,179,526</u>	<u>9,065,077</u>	<u>9,065,345</u>	<u>268</u>
Expenditures				
Current				
Education				
Instruction	4,964,789	5,209,231	5,486,252	277,021
Supporting services	<u>3,553,334</u>	<u>3,695,913</u>	<u>3,790,766</u>	<u>94,853</u>
Total expenditures	<u>8,518,123</u>	<u>8,905,144</u>	<u>9,277,018</u>	<u>371,874</u>
Excess (deficiency) of revenues over expenditures	<u>661,403</u>	<u>159,933</u>	<u>(211,673)</u>	<u>(371,606)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	211,673	211,673
Transfers out	<u>(661,403)</u>	<u>(159,933)</u>	<u>-</u>	<u>159,933</u>
Total other financing sources (uses)	<u>(661,403)</u>	<u>(159,933)</u>	<u>211,673</u>	<u>371,606</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Redford Union School District #1
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th)

	June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. Reporting unit's proportion of net pension liability (%)	0.2106%	0.2023%	0.2021%							
B. Reporting unit's proportionate share of net pension liability	\$ 52,533,626	\$ 49,411,722	\$ 44,508,043							
C. Reporting unit's covered-employee payroll	\$ 18,098,529	\$ 16,721,314	\$ 17,106,398							
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	290.26%	295.50%	260.18%							
E. Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%							

Redford Union School District #1
Required Supplementary Information
Schedule of the School District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. Statutorily required contributions	\$ 3,631,814	\$ 4,877,875	\$ 3,777,283							
B. Contributions in relation to statutorily required contributions	<u>3,631,814</u>	<u>4,877,875</u>	<u>3,777,283</u>							
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D. Reporting unit's covered-employee payroll	\$ 19,320,577	\$ 16,656,975	\$ 16,813,295							
E. Contributions as a percentage of covered-employee payroll	18.80%	29.28%	22.47%							

Notes: Benefit Changes - There were no changes of benefit terms in 2017. Changes in Assumptions - There were no changes of benefit assumptions in 2017.

OTHER SUPPLEMENTARY INFORMATION

Redford Union School District #1
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Fund	Debt Service Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	1997 Bond Issue	2007 Refunding Issue	2009 Bond Issue	2009 Bond Issue	
Assets						
Cash	\$ 200	\$ 1,410,306	\$ -	\$ -	\$ 75,040	\$ 1,485,546
Accounts receivable	2,550	-	-	-	-	2,550
Due from other funds	962,442	8,795	-	-	-	971,237
Due from other governmental units	11,217	281,804	-	-	-	293,021
Inventory	18,753	-	-	-	-	18,753
	<u>995,162</u>	<u>1,700,905</u>	<u>-</u>	<u>-</u>	<u>75,040</u>	<u>2,771,107</u>
Total assets	<u>\$ 995,162</u>	<u>\$ 1,700,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,040</u>	<u>\$ 2,771,107</u>
Liabilities						
Accounts payable	\$ 9,395	\$ -	\$ -	\$ -	\$ -	\$ 9,395
Unearned revenue	601	-	-	-	-	601
	<u>9,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,996</u>
Total liabilities	<u>9,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,996</u>

Redford Union School District #1
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Fund	Debt Service Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	1997 Bond Issue	2007 Refunding Issue	2009 Bond Issue	2009 Bond Issue	
Fund Balances						
Non-spendable						
Inventory	\$ 18,753	\$ -	\$ -	\$ -	\$ -	\$ 18,753
Restricted for						
Food service	966,413	-	-	-	-	966,413
Debt service	-	1,700,905	-	-	-	1,700,905
Capital projects	-	-	-	-	75,040	75,040
	<u>985,166</u>	<u>1,700,905</u>	<u>-</u>	<u>-</u>	<u>75,040</u>	<u>2,761,111</u>
 Total fund balances						
	<u>\$ 995,162</u>	<u>\$ 1,700,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,040</u>	<u>\$ 2,771,107</u>

Redford Union School District #1
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue Fund	Debt Service Funds			Capital Projects Fund	Total
	Food Service	1997 Bond Issue	2007 Refunding Issue	2009 Bond Issue	2009 Bond Issue	Nonmajor Governmental Funds
Revenues						
Local sources	\$ 145,832	\$ 3,271,822	\$ -	\$ -	\$ 441	\$ 3,418,095
State sources	46,398	-	-	-	-	46,398
Federal sources	<u>1,367,414</u>	<u>226,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,593,814</u>
Total revenues	<u>1,559,644</u>	<u>3,498,222</u>	<u>-</u>	<u>-</u>	<u>441</u>	<u>5,058,307</u>
Expenditures						
Current						
Education						
Food services	1,162,009	-	-	-	-	1,162,009
Capital outlay	96,331	-	-	-	-	96,331
Debt service						
Principal	-	-	540,000	1,560,000	-	2,100,000
Interest and other expenditures	<u>-</u>	<u>386,200</u>	<u>45,800</u>	<u>694,425</u>	<u>-</u>	<u>1,126,425</u>
Total expenditures	<u>1,258,340</u>	<u>386,200</u>	<u>585,800</u>	<u>2,254,425</u>	<u>-</u>	<u>4,484,765</u>
Excess (deficiency) of revenues over expenditures	<u>301,304</u>	<u>3,112,022</u>	<u>(585,800)</u>	<u>(2,254,425)</u>	<u>441</u>	<u>573,542</u>

Redford Union School District #1
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue Fund	Debt Service Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	1997 Bond Issue	2007 Refunding Issue	2009 Bond Issue	2009 Bond Issue	
Other Financing Sources (Uses)						
Transfers in	\$ -	\$ -	\$ 585,800	\$ 2,254,425	\$ -	\$ 2,840,225
Transfers out	(21,974)	(2,840,225)	-	-	-	(2,862,199)
Total other financing sources (uses)	(21,974)	(2,840,225)	585,800	2,254,425	-	(21,974)
Net change in fund balances	279,330	271,797	-	-	441	551,568
Fund balances - beginning	705,836	1,429,108	-	-	74,599	2,209,543
Fund balances - ending	<u>\$ 985,166</u>	<u>\$ 1,700,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,040</u>	<u>\$ 2,761,111</u>

Redford Union School District #1

Single Audit Report

June 30, 2017



Table of Contents

	Page
Single Audit Report	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Report on Compliance For Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	14
Corrective Action Plan	16



800.968.0010 | yeoandyeo.com

**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***

Independent Auditors' Report

Members of the Board of Education
Redford Union School District #1
Redford, 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 Redford Union School District #1 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Redford Union School District #1's basic financial statements, and have issued our report thereon dated October 20, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned to be a material weakness: 2017-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We

consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2017-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redford Union School District #1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

Redford Union School District #1's Response to Findings and Corrective Action Plan

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 20, 2017



800.968.0010 | yeoandyeo.com

Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited Redford Union School District #1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Redford Union School District #1's major federal programs for the year ended June 30, 2017. Redford Union School District #1'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Special Education Cluster and Title I Grants to Local Educational Agencies

In our opinion, Redford Union School District #1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-004. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Redford Union School District #1's basic financial statements. We issued our report thereon dated October 20, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted 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 the 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 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.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 20, 2017

Redford Union School District #1
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Program Title/Project Number/Subrecipient Name	Grant/Project Number	CFDA Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2016	Federal Funds/ Payments In-kind	Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2017	Current Year Cash Transferred to Subrecipients
U.S. Department of Agriculture										
Child Nutrition Cluster										
Passed through Michigan Department of Education										
Non-cash assistance (commodities)										
Entitlement	82110	10.555	\$ 113,228	\$ -	\$ -	\$ 113,228	\$ 113,228	\$ -	\$ -	\$ -
Cash assistance										
School Breakfast Program 2015-2016	161970	10.553	310,802	273,208	17,851	55,445	37,594	-	-	-
School Breakfast Program 2016-2017	171970		327,344	-	-	327,344	327,344	-	-	-
					17,851	382,789	364,938	-	-	-
National School Lunch Program 2015-2016	161960	10.555	767,740	676,195	38,707	130,252	91,545	-	-	-
National School Lunch Program 2016-2017	171960		780,275	-	-	780,275	780,275	-	-	-
Snacks Program 2016-2017	171980		2,658	-	-	2,658	2,658	-	-	-
					38,707	913,185	874,478	-	-	-
Summer Food Service Program for Children 2015-2016	160900	10.559	12,307	3,068	3,068	12,307	9,239	-	-	-
Summer Food Service Program for Children 2015-2016	161900		1,286	320	320	1,286	966	-	-	-
Summer Food Service Program for Children 2016-2017	170900		4,135	-	-	-	4,135	-	4,135	-
Summer Food Service Program for Children 2016-2017	171900		430	-	-	-	430	-	430	-
					3,388	13,593	14,770	-	4,565	-
Total Child Nutrition Cluster					59,946	1,422,795	1,367,414	-	4,565	-
U.S. Department of Education										
Special Education Cluster										
Passed through Michigan Department of Education										
Passed through Wayne RESA										
IDEA Flowthrough 2015-2016	160450	84.027	655,560	655,560	184,297	184,297	-	-	-	-
IDEA Flowthrough 2016-2017	170450		799,470	-	-	642,155	799,470	-	157,315	-
IDEA CPO 2015-2016	160450		375,126	375,126	272,398	272,398	-	-	-	-
IDEA CPO 2016-2017	170450		351,540	-	-	334,136	351,540	-	17,404	-
IDEA PBS 2015-2016	160450		6,119	6,119	6,119	6,119	-	-	-	-
IDEA PBS 2016-2017	170450		5,483	-	-	-	5,483	-	5,483	-
					462,814	1,439,105	1,156,493	-	180,202	-
IDEA Preschool 2016-2017	170460	84.173	37,611	-	-	34,103	37,611	-	3,508	-
Total Special Education Cluster					462,814	1,473,208	1,194,104	-	183,710	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Redford Union School District #1
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Program Title/Project Number/Subrecipient Name	Grant/Project Number	CFDA Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2016	Federal Funds/ Payments In-kind	Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2017	Current Year Cash Transferred to Subrecipients
Passed through Michigan Department of Education										
Title I Grants to Local Educational Agencies 2015-2016	161530	84.010	\$ 1,114,755	\$ 1,020,432	\$ 266,759	\$ 280,598	\$ 23,579	\$ 9,740	\$ -	\$ -
Title I Grants to Local Educational Agencies 2016-2017	171530		1,089,755	-	-	691,463	1,031,974	-	340,511	-
					266,759	972,061	1,055,553	9,740	340,511	-
Improving Teacher Quality State Grants 2015-2016	160520	84.367	138,532	131,252	33,542	35,389	1,847	-	-	-
Improving Teacher Quality State Grants 2016-2017	170520		138,595	-	-	111,700	138,595	-	26,895	-
					33,542	147,089	140,442	-	26,895	-
School Improvement Grant 2016-2017	151761	84.377	729,797	-	-	141,222	610,859	-	469,637	-
Total U.S. Department of Education					763,115	2,733,580	3,000,958	9,740	1,020,753	-
U.S. Department of Health and Human Services										
Passed through the Michigan Department of Human Services										
Passed through Wayne RESA										
Medical Assistance Program 2016-2017	N/A	93.778	20,899	18,968	-	20,899	20,899	-	-	-
Total Federal Programs					\$ 823,061	\$ 4,177,274	\$ 4,389,271	\$ 9,740	\$ 1,025,318	\$ -

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Redford Union School District #1
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Redford Union School District #1 under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Redford Union School District #1, it is not intended to and does not present the financial position or change in financial position of Redford Union School District #1.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Redford Union School District #1 has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

The federal revenues per the financial statements are in agreement with the schedule of expenditures of federal awards except for the following:

Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 4,389,271
Adjustments	(9,740)
Build America Bond revenue not subject to single audit	<u>226,400</u>
Federal revenues per the financial statements	<u><u>\$ 4,605,931</u></u>

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Redford Union School District #1
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2017

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards except for the following timing difference of when the deposit was made:

<u>Program</u>	<u>Grant Number</u>	<u>Receipts per Grant Auditor Report</u>	<u>Receipts per SEFA</u>	<u>Difference</u>
School Breakfast Program 2015-2016	161970	\$ 37,594	\$ 55,445	\$ 17,851
National School Lunch Program 2015-2016	161960	91,545	130,252	38,707

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities.

An adjustment was made for \$9,740 for funds taken back by MDE for unallowable costs related to grant number 161530, Title I Grants to Local Educational Agencies.

Redford Union School District #1
Schedule of Findings and Questioned Costs
June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes 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 §200.516(a)? yes no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027, 84.173
84.010

Special Education Cluster
Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? yes no

Redford Union School District #1
Schedule of Findings and Questioned Costs
June 30, 2017

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

2017-001, 2016-001, 2015-002 – Material Noncompliance – Unfavorable Budget Variances

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

Condition: During our review of the District’s compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated in certain areas within the General Fund and the Special Education Center Program Fund.

Cause/Effect: The District did not sufficiently amend the budget when it became apparent spending was going to exceed the amounts appropriated in the over budget areas. The District has not maintained adequate control over budgetary compliance in accordance with State law in the certain areas where the overages occurred.

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

Views of Responsible Officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan.

2017-002 – Material Weakness – Prior Period Adjustment

Criteria: Michigan Department of Education Bulletin 1022 Michigan Public School Accounting Manual states that financial statements and records should be free of errors that could change the users’ overall assessment of the entity’s finances.

Condition: In the prior years, the District did not accrue the July and August health insurance for the teachers.

Cause/Effect: The District took the stance that the net effect of the health insurance accrual from year to year was fairly consistent and immaterial. However, the liabilities and fund balance were misstated by a material amount as a result of excluding this accrual.

Recommendation: We recommend the District record the July and August health insurance accrual as of year end to ensure liabilities and fund balance are properly stated at year end.

Views of Responsible Officials: Management agrees with the finding.

Redford Union School District #1
Schedule of Findings and Questioned Costs
June 30, 2017

Corrective Action
Plan: See attached corrective action plan.

2017-003 – Significant Deficiency – Internal Controls/Segregation of Duties

Criteria: Michigan Department of Education Bulletin 1022 Michigan Public School Accounting Manual states that a comprehensive framework of internal control includes segregation of incompatible duties. Duties that are considered incompatible include: authorization of transactions, record-keeping, and custody of assets.

Condition: During our review of the internal control processes, we noted that the individual with the majority of the access to the general ledger also prepares the bank reconciliations. No other individual reviews and approves the reconciliations. Moreover, manual journal entries are not reviewed and approved by an independent person. Lastly, we noted that one individual performs most of the receipts cycle by collecting receipts, creating the deposit, and taking the deposit to the bank.

Cause/Effect: Internal controls are missing from the above financial processes which allows for a greater possibility of unintentional misstatement and intentional misappropriation of assets.

Recommendation: We recommend the District evaluate its key transaction cycles, specifically the items noted above, to ensure that adequate controls and the appropriate level segregation of duties are in place.

Views of Responsible
Officials: Management agrees with the finding.

Corrective Action
Plan: See attached corrective action plan.

SECTION III - FEDERAL AWARD FINDINGS

2017-004, 2016-002, 2015-003 – Material Noncompliance – Food Service Fund Balance

Program Information: Child Nutrition Cluster, U.S. Department of Agriculture, passed through Michigan Department of Education, CFDA# 10.553, 10.555, and 10.559.

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

Condition: During the course of our audit we noted that the District currently has more than the allowable fund balance in the nonprofit food service fund. The District increased the food service fund balance this year by \$279,330. The District currently has about 7.5 months of expenditures as fund balance. As a result, the District will be required to

Redford Union School District #1
Schedule of Findings and Questioned Costs
June 30, 2017

develop a spending plan for reducing the balance to an acceptable level during the current school year. The plan must be submitted to the Michigan Department of Education for prior approval. Excess funds cannot be transferred to the General Fund.

Questioned Costs: None

Cause/Effect: The District is not appropriately spending down this excess fund balance and is not in compliance with U.S. Department of Agriculture regulations.

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

Views of Responsible Officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan.

Redford Union School District #1
Summary Schedule of Prior Audit Findings
June 30, 2017

SECTION IV - PRIOR AUDIT FINDINGS

GOVERNMENT AUDITING STANDARDS FINDINGS

2016-001, 2015-002 – Material Noncompliance – Unfavorable Budget Variances

- Criteria: The Uniform Budgeting and Accounting Act requires the District to amend the original adopted budget “as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined”. The Act also states that “an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body”.
- Condition: During our review of the District’s compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated in certain areas within the General Fund and the Special Education Center Program Fund.
- Cause: The District did not sufficiently amend the budget when it became apparent spending was going to exceed the amounts appropriated in the over budget areas.
- Effect: The District has not maintained adequate control over budgetary compliance in accordance with State law in the certain areas where the overages occurred.
- Status: This continues to be a finding at 2017-001.

FEDERAL AWARD FINDINGS

2016-002, 2015-003 – Noncompliance – Non-profit Food Service Fund

- Program Information: Child Nutrition Cluster, U.S. Department of Agriculture, passed through Michigan Department of Education, CFDA# 10.553, 10.555, and 10.559.
- Criteria: The U.S. Department of Agriculture requires that the ending fund balance of the nonprofit food service fund does not exceed three months operating expenses (7 CFR Part 210.19(a)(2)).
- Condition: During the course of our audit we noted that the District currently has more than the allowable fund balance in the nonprofit food service fund. The District currently has about 5.6 months of expenditures as fund balance. As a result, The District will be required to develop a spending plan for reducing the balance to an acceptable level during the current school year. The plan must be submitted to the Michigan Department of Education for prior approval. Excess funds cannot be transferred to the General Fund
- Questioned Costs: None

Redford Union School District #1
Summary Schedule of Prior Audit Findings
June 30, 2017

Cause/Effect: The District is not appropriately spending down this excess fund balance, and, therefore, is not compliance with U.S. Department of Agriculture regulations.

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

Status: This continues to be a finding at 2017-004.

CORRECTIVE ACTION PLAN

2017-001 – Material Noncompliance – Unfavorable Budget Variances

Corrective Action Planned: The budget will be amended in February and June 2018 to better reflect expected actual expenditures and avoid budget overages at year end.

Anticipated Completion
Date: February and June 2018

Responsible Party: Assistant Superintendent of Business Operations

2017-002 – Material Weakness – Prior Period Adjustment

Corrective Action Planned: We have posted the July and August MESSA accrual as of June 30, 2017. We will continue to calculate and record this accrual in the future.

Anticipated Completion
Date: Completed

Responsible Party: Assistant Superintendent of Business Operations

2017-003 – Significant Deficiency – Internal Controls/Segregation of Duties

Corrective Action Planned: We will implement additional procedures to the receipts transaction cycle to increase segregation and internal controls. One individual will be responsible for opening the mail and creating a listing of checks to be deposited. A separate individual will take the cash and checks to the bank. A second level of review will also be implemented for bank reconciliations and journal entries.

Anticipated Completion
Date: February 2018

Responsible Party: Assistant Superintendent of Business Operations

2017-004 – Material Noncompliance – Food Service Fund Balance

Corrective Action Planned: The Business Office will create a spend down plan that will be approved by the Board of Education and submitted to the Michigan Department of Education in order to start reducing the food service fund balance to the required level.

Anticipated Completion
Date:

June 2018

Responsible Party:

Assistant Superintendent of Business Operations



October 20, 2017

Management and the Board of Education
Redford Union School District #1
17715 Brady Street
Redford, MI 48240

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Redford Union School District #1 as of and for the year ended June 30, 2017, and have issued our report dated October 20, 2017. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II. Matters for Management's Consideration

We discussed these matters with various personnel in the School District during the audit and have already met with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, and others within the School District, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Auburn Hills, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated July 7, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted Government Accounting Standards Board Statement (GASB) No. 77, *Tax Abatement Disclosures*, effective July 1, 2016. The Statement requires disclosures of tax abatement information. We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Incurred but not reported worker's compensation liability. The estimate is based on historical claims data and reserve amounts.

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

Disclosures in the financial statements are neutral, consistent and clear.

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee

services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

Regulatory and Other Updates

Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. A recent study showed as many as four out of five U.S. companies have suffered from an attack. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached.

Risk assessment is a first step in mitigating cybersecurity risks and improving your School District's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Placing significant emphasis on evaluating your School District's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat, and help lessen the impact of a breach.

Audit and FID Submission Deadline

The deadline to submit the Financial Information Database (FID) and school district financial audits will be November 1st. This will continue to be the deadline for future fiscal years as it is now State Law.

Uniform Grant Guidance (Super Circular)

In December 2013, the Federal Office of Management and Budget (OMB) issued final guidance on administrative requirements. The Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102 and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up. School districts implemented the new administrative requirements and Cost Principles for all new federal grants awarded after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. EDGAR is the source for

guidance that school districts will follow. Additional information and resources are available at the following websites:

- OMB http://www.whitehouse.gov/omb/grants_docs
- Council on Federal Assistance Reform (COFAR) <https://cfo.gov/cofar/>
- US Department of Education <http://1.usa.gov/1rzFswz>
- EDGAR <http://1.usa.gov/1pOUq2p>
- MDE http://www.michigan.gov/mde/0,4615,7-140-5236_76204---,00.html

Implementation of Federal Grant Procurement Standards is Delayed

In May 2017, the federal government granted an additional one-year delay for implementation of the procurement standards under the Uniform Guidance. The grace period now extends through December 25, 2017. Therefore entities with fiscal years beginning on or after December 26, 2017 must have procurement standards, for federal expenditures, that meet the more stringent requirements of 2 CFR 200.317 to 326. For school districts, it will apply to fiscal year 2019 and therefore, must be in place starting July 1, 2018. If your School District did not previously adopt and implement procurement policies and procedures in accordance with 2 CFR 200 you should go through the appropriate channels to elect and document usage of the additional grace period year. The grace period decision and documentation should go through the same process as the adoptions of procurement policies. It is imperative that your procurement policies – whatever they are documented as – be followed. The Uniform Guidance and the old guidance in the OMB Circulars provide minimum requirements that must be covered by an entity's procurement policies. If an entity's policies are stricter than the federal rules, the entity policies still must be followed. As you adopt new procurement policies, we also recommend that you consider separate policies for federal and non-federal expenditures to ease the administrative burden of certain federal requirements.

Fiscal Year (FY) 2018 School Aid

The School Aid budget for FY 2018 was not signed until late July. Following are some significant highlights of the bill:

- The per pupil Foundation Grants for FY 2018 will increase by a range of \$60 to \$120 using the "2X formula." The increase will be added to the FY 2017 foundation grant resulting in the lowest foundation for FY 2018 being \$7,631 and the maximum state guaranteed foundation being \$8,289.
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
- The Section 31a At-Risk funding is increased by \$120,011,800 to \$499,000,000. Eligibility is expanded from free lunch eligible pupils to include pupils eligible for reduced price lunch, TANF, SNAP, or migrant, homeless, or pupils in foster care. Hold Harmless and Out of Formula districts are now eligible, but will be capped at 30% of the per pupil allowance. Districts that are currently eligible would receive approximately \$777 per pupil and newly eligible districts would receive approximately \$233 per pupil.
- The per pupil funding under Sections 20f(2) and 20f(4) will be equal to the per pupil funding under those Sections in 2016-17.
- Section 147c is reduced by approximately \$22.0 million to reflect higher rates of return on investments.
- ISD General Operation funding under Section 81 will remain at \$67.1 million.
- Shared Time Instruction for Nonpublic and Homeschool Pupils Section 23f caps the maximum FTE for which a nonpublic school pupil may be counted in a shared-time program at 0.75 FTE per pupil.

Boilerplate changes include:

- A New Section 160 has been added which requires districts seeking a waiver to begin the school year before Labor Day to hold a public hearing with the MDE in the district before the waiver can be granted.
- A New Section 164g has been added which imposes a penalty on any district using State Aid funds to pay expenses related to legal action against the state.

- A New Section 164h has been added to state that there will be a state school aid penalty for a district or ISD that enters into a collective bargaining agreement that fails to comply with requirements including prohibitions on the automatic deduction of union dues from payroll and racial or religious preferences in hiring.

Early Warning

Pursuant to Public Act 109 of 2015, each school district and public school academy that has a General Fund balance less than 5% of total unrestricted general revenue for either of the 2014-2015 or 2015-2016 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI). The budget assumption data collection period begins June 1, 2017 and is open through July 7, 2017. The Department of Treasury will not declare potential fiscal stress based solely on a school district's or public school academy's budget assumption data.

Uniform Budgeting and Accounting Act (UBAA)

The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if fiscal adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the School District shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

Unclaimed Property

Beginning in 2018, the State of Michigan will require the filing of zero balance reports for businesses and governmental agencies who hold property on behalf of others, such as uncashed payroll or vendor checks and other items comprising unclaimed property. This is a revision from the most recent change in 2012, which only encouraged, but did not require, reporting of zero unclaimed property situations. Under the negative attestation requirement, businesses and governmental agencies must ensure they are filing even in situations where entities have no unclaimed property.

Current rules require unclaimed property to be identified as of March 31st of each year and reported to the State on or before July 1. Property that has reached its applicable dormancy period (generally one year or three years) as of March 31 must be remitted with and reported on Michigan State Form 2011, *Michigan Holder Transmittal for Annual Report of Unclaimed Property* and the appropriate annual reporting form (there are separate forms for cash & safe deposit boxes and for securities). If the holder (business or government entity) has more than ten items to report, they must use electronic media for the annual report. The due date for this filing is July 1 (or the next work day if the 1st is on a weekend).

These rules remain unchanged, except that beginning in 2018, the negative attestation requirement will go into effect. Free software is available on the State of Michigan web site at <http://www.michigan.gov/treasury/>. The web site is a valuable resource for information regarding the law, filing requirements and related penalties, including the 33 page *Manual for Reporting Unclaimed Property*.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

A material misstatement was detected as a result of our audit procedures and corrected by management. The misstatement was for the accrual of health insurance for July and August related to the teachers. This change resulted in a restatement (reduction) of \$494,200 to beginning fund balance and the recording of an additional liability of \$548,978 and expense of \$54,778 in the current fiscal year.

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Emphasis of Matters in Independent Auditors' Report

The Organization posted a prior period adjustment for the health insurance accrual and workers' compensation accrual. Our report will therefore include the following emphasis of a matter paragraph:

Prior Period Adjustment

As discussed in Note 14 to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter..

Other Reports

Other information that is required to be reported to you is included in the: 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*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's contributions, and budgetary comparison information, we 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Report on Other Supplementary Information

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

Appendix II Matters for Management's Consideration

In planning and performing our audit of the financial statements of Redford Union School District #1 as of and for the year ended June 30, 2017, we considered Redford Union School District #1's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of matters for management's consideration that are opportunities for strengthening internal controls and improving operating efficiency. This letter does not affect our report dated October 20, 2017, on the financial statements of Redford Union School District #1. Our comments and recommendations regarding those matters are:

Policies and Procedures

While the district does have some documented procedures related specifically to Title I, the District has minimal written federal procedures over grant compliance for all other federal grants. Federal procedures should be written for all compliance requirements that are applicable to federal grants awarded to the District per Uniform Guidance. The compliance requirements may include some or all of the following: cash management, conflict of interest, payroll and federal timekeeping, financial management systems, payments, allowable costs, period of performance, matching or cost sharing, program income, procurement, equipment and real property, supplies, copyrights, subawards to debarred and suspended parties, monitoring and reporting program performance, financial reporting, retention and access requirements for records. Written federal procedures are required by the Uniform Guidance which went into effective during the fiscal year ended June 30, 2016. The procedures should focus on procedures over compliance rather than policies over compliance. The District also does not have a written policy and procedures in place related to electronic transactions. Lastly, the District lacks a conflict of interest policy for employees and an employee handbook or manual.

We recommend the District review compliance requirements with respect to Uniform Guidance and modify or create stronger policies and procedures that encompass all federal grants as necessary. Moreover, we recommend policies be established for electronic transactions and conflicts of interest. The District should also consider creating a manual or handbook for employee policies. The policies and procedures should be written and presented to the Board of Education for approval.

Grant Revenue and Expense Reconciliation

We noted during our review of the schedule of expenditures of federal awards, that the District is not properly reconciling grant revenues to grant expenditures. Grant revenues should equal grant expenditures per the trial balance. We noted these did not agree for four of the federal programs. It appears expenditures are being requested and recorded as revenue in a fiscal year varying from the year the expenditure was incurred due to year end accruals. These differences were not material for the current fiscal year.

We recommend management reconcile grants to ensure that revenues per the trial balance agree to the corresponding grant expenditures. This will ensure revenue and expenditures are properly matched in the correct period and that the schedule of expenditures of federal awards is reporting accurate data.

Federal Program Budgets

We noted that the District's final amended budget for the Special Education Cluster and Title I did not agree to the MDE and Wayne RESA approved program budgets.

We recommend the District properly amend the budget at year end to equal approved program budgets. This will ensure the District is in compliance with budgeting requirements as well as ensure that program expenditures are being monitored in accordance with approved budgets.

Title I Final Expenditure Report

We noted there were two account functions that were over budget by more than 10% on the Title I Final Expenditure Report (FER) submitted for the 2015-2016 grant. We further noted that amounts reported in one of the functions on the FER did not agree to the function in the general ledger detail of expenditures. Districts are required to spend funds in accordance with the funding source's approved budget.

We recommend the District establish controls to ensure program expenditures are made in accordance with the approved budget and charged to the approved account. This will reduce the possibility of budget overages and differences between the supporting general ledger of expenditures and the amounts and functions reported on the FER.

Title I Parent Involvement Expenditures

The District is required to spend the amount allocated in the School Selection Worksheet and Consolidated Application for parent involvement. We noted some parent involvement expenditures were not recorded in the appropriate function in the general ledger and in accordance with the approved budget. We also noted that the district only spent about 57% of the amount allocated.

We recommend that the District implement controls to ensure that the funding set aside for parent involvement is properly spent. We further recommend that unspent parent involvement funding related to private and/or public schools be appropriately carried over to the next year when applicable.