

Ypsilanti Community Schools

Financial Statements

June 30, 2020



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Ypsilanti Community Schools
Members of the Board of Education and Administration
June 30, 2020

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Brenda Meadows	Vice President
Sharon Lee	Secretary
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Alena Zachery-Ross	Superintendent
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Independent Auditors' Report

Management and the Board of Education
Ypsilanti Community Schools
Ypsilanti, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ypsilanti Community Schools, as of and for the year ended June 30, 2020, 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 Ypsilanti Community Schools, as of June 30, 2020, 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.

Adoption of New Account Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2020, the School District adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB 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 Ypsilanti Community Schools' 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 16, 2020 on our consideration of Ypsilanti Community Schools' 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 Ypsilanti Community Schools' 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 Ypsilanti Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI
October 16, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ypsilanti Community Schools
Management's Discussion and Analysis
June 30, 2020

As management of Ypsilanti Community Schools, we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2020.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, supporting services, athletics, food service and community services. The School District has no business-type activities as of and for the year ending June 30, 2020.

Fund Financial Statements

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

Governmental Funds

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

**Ypsilanti Community Schools
Management's Discussion and Analysis
June 30, 2020**

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

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

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

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows exceeded assets and deferred outflows by \$140,304,639 at the close of the most recent fiscal year.

A portion of the School District's net position reflects its investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, and buses and other vehicles); less any related debt used to acquire those assets that is still outstanding, which is \$(53,559,309) at June 30, 2020. The School District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary Statement of Net Position

	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 19,350,526	\$ 19,422,099
Capital assets, net	<u>62,607,855</u>	<u>64,207,674</u>
Total assets	<u>81,958,381</u>	<u>83,629,773</u>
Deferred Outflows of Resources	<u>35,634,553</u>	<u>32,952,798</u>
Liabilities		
Current and other liabilities	12,967,642	114,574,260
Long-term liabilities	<u>229,677,182</u>	<u>129,058,358</u>
Total liabilities	<u>242,644,824</u>	<u>243,632,618</u>
Deferred Inflows of Resources	<u>15,252,749</u>	<u>12,688,775</u>
Net Position		
Net investment in capital assets	(53,559,309)	(12,418,430)
Restricted	1,257,188	867,914
Unrestricted	<u>(88,002,518)</u>	<u>(128,188,306)</u>
Total net position	<u>\$ (140,304,639)</u>	<u>\$ (139,738,822)</u>

**Ypsilanti Community Schools
Management's Discussion and Analysis
June 30, 2020**

Total net position as of June 30, 2020 consists of \$1,257,188 restricted for debt service and capital projects. The School District also reported a deficit of \$88,002,518 as unrestricted net position. The negative balance is mainly related to the School District's proportionate share of the MPSERS net pension and other postemployment benefit liabilities and the School District's general obligation bonded debt. The results of this year's operation for the School District as a whole are reported in the statement of activities, which shows the changes in net position for the fiscal year 2020 compared to the changes in net position for fiscal year 2019.

The results of this year's operation for the School District as a whole are reported in the statement of activities, which shows the changes in net position for the fiscal year 2020 compared to the changes in net position for fiscal year 2019.

	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues		
Charges for services	\$ 1,953,800	\$ 1,057,901
Operating grants and contributions	23,688,548	25,841,961
General revenues		
Property taxes	26,747,626	21,301,769
Unrestricted state school aid	25,644,812	23,756,342
Gain on sale of capital assets	28,007	69,708
Other	<u>509,682</u>	<u>376,973</u>
Total revenues	<u>78,572,475</u>	<u>72,404,654</u>
Expenses		
Instruction	38,836,026	32,242,686
Supporting services	32,021,408	26,081,907
Food services	4,371,798	3,459,188
Community services	492,305	160,073
Other	<u>3,628,508</u>	<u>9,131,191</u>
Total expenses	<u>79,350,045</u>	<u>71,075,045</u>
Change in net position	(777,570)	1,329,609
Net position - beginning, as restated	<u>(139,527,069)</u>	<u>(141,068,131)</u>
Net position - ending	<u>\$ (140,304,639)</u>	<u>\$ (139,738,522)</u>

**Ypsilanti Community Schools
Management's Discussion and Analysis
June 30, 2020**

Governmental Activities

Governmental activities decreased the School District's net position by \$777,570. Key elements of this increase are as follows:

- Total expense increased from the prior year by \$8,275,000. This was due to the following reasons:
 - Transportation was brought in house as opposed to contracted service during last fiscal year. This includes salary, benefits and employer paid health insurance benefits.
 - Legacy grievance from 2017/2018 fiscal year was settled during the current year as well
 - Due to COVID and the unanticipated closure, we also had unanticipated expenses.
- Total revenue increased from the prior year by \$6,167,821 primarily due to the 18/19 Final Special Ed Payout from the Washtenaw Intermediate School District ("WISD").

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$7,213,510. Of this total amount, \$925,794 constitutes nonspendable fund balance to indicate that is not available for new spending because the underlying assets are included in inventory and prepaids, while \$2,491,657 is restricted for debt service, food service, and capital projects, and \$252,623 is committed for student and school activities. The remaining component is an unassigned fund balance of \$3,543,436.

The general fund is the chief operating fund of the School District. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$3,681,830 while total fund balance was \$4,607,624. Total fund balance is 7.7% of total general fund expenditures.

The fund balance of the School District's general fund decreased by \$1,386,616 during the current fiscal year. The decrease was primarily due to the \$175/per pupil reduction in state aid as well as having the expenses in the 2019-2020 fiscal year and receiving the revenue in 2020-2021 fiscal year due to the pandemic.

At the end of the current fiscal year, the restricted fund balance of the School District's Willow Run debt service fund was \$460,188, an increase of \$61,260 over the prior year.

At the end of the current fiscal year, the restricted fund balance of the School District's sinking fund was \$439,674. This fund is new during the year as a result of the new sinking fund millage.

The other nonmajor governmental funds have a combined fund balance of \$1,706,024, a decrease of \$912,484 over the prior year.

**Ypsilanti Community Schools
Management's Discussion and Analysis
June 30, 2020**

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted before the 2019-20 year end. A statement showing the District's original and final budget amounts compared with amounts actually recorded as revenue and expenditures is provided in the accompanying basic financial statements.

During the year, the budget was amended in a legally permissible manner. Amendments to the original budget were made during the fiscal year as more information became known. For the year ended June 30, 2020, total actual expenditures were more than the total final budget amount by \$1,899,650. This reflects a total variance of 3.2% on \$59,809,035. The overage was primarily due to the \$175/per pupil reduction in state aid as well as having the expenses in the 2019-2020 fiscal year and revenue in 2020-2021 fiscal year as well as the settlement of the legacy grievance. Also, general fund actual revenues were more than final amended budget revenue by \$440,911.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2020, amounted to \$62,607,855 (net of accumulated depreciation). This investment in capital assets includes land and improvements, constructions in progress, buildings and improvements, furniture and equipment, and vehicles.

The major capital asset project undertook during the 2019-20 school year, a performance contract with Schneider Electric for energy improvements, which included all new LED lighting district wide and change of new high efficiency boilers to address the old inefficient and failing boilers and several sinking fund projects during the year.

	Capital Assets (Net of Depreciation)	
	2020	2019
Land	\$ 811,830	\$ 811,830
Construction in progress	-	2,550,140
Land improvements	3,803,493	4,018,112
Buildings and improvements	56,953,012	55,821,871
Furniture and equipment	974,552	984,248
Vehicles	64,968	21,743
Total capital assets, net	\$ 62,607,855	\$ 64,207,944

For the current year, the District incurred depreciation expense of \$1,409,255.

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

Long-term Debt

At the end of the June 30, 2020 and 2019, the District had total bonded debt outstanding of \$105,640,000 and \$113,120,000, respectively. Those bonds consisted general obligation debt.

During the year ended June 30, 2020, the District borrowed \$4,774,241 from the Michigan School Loan Revolving Fund to supplement tax revenue in order to service certain bond payments. Additional information on the District's long-term debt is found in notes to the financial statements.

Ypsilanti Community Schools
Management's Discussion and Analysis
June 30, 2020

Factors Bearing on the District's Future

The following factors were also considered in preparing the District's budget for the 2020-21 fiscal year:

- Our elected officials and administration consider many factors when setting the school district's fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count of the 2020-21 fiscal year was 75% of the 2019-2020 count and 25% of the fiscal year 2020-2021 count. The 2020-21 budget was built on the same student count for the blended count and a reduction in the state aid due to COVID-19 as the budget for the 2020-2021 school year was not finalized before the district needed to adopt the 2020-2021 fiscal year budget.
- Approximately 55% of the General Fund revenue is from state aid. Under state law, the school district cannot access additional property tax revenue for general operations. As a result, School 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 2020-21 fiscal year, we anticipate that the fall student count will be less than the estimated blended count used in the development of the 2020-21 budget due to decrease in enrollment in public schools statewide.
- Since the School District's revenue is heavily dependent on state funding and on the health of the State's School Aid fund, the actual revenue received depends on the State's ability to fund its appropriation to school districts.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Ypsilanti Community Schools
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash	\$ 6,983,164
Accounts receivable	22,188
Due from other governmental units	11,419,380
Inventory	92,296
Prepaid items	833,498
Capital assets not being depreciated	811,830
Capital assets - net of accumulated depreciation	61,796,025
Total assets	81,958,381
Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	26,600,393
Deferred amount relating to the net OPEB liability	6,916,289
Deferred amount on debt refunding	2,117,871
Total deferred outflows of resources	35,634,553
Liabilities	
Checks issued in excess of deposits	138,394
Accounts payable	2,885,497
State aid anticipation note payable	4,100,000
Due to other governmental units	605,473
Payroll deductions and withholdings	434,882
Accrued expenditures	959,332
Accrued salaries payable	3,676,624
Unearned revenue	167,440
Long-term liabilities	
Net pension liability	91,128,278
Net OPEB liability	20,146,919
Due within one year	15,547,367
Due in more than one year	102,854,618
Total liabilities	242,644,824

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	\$ 7,352,639
Deferred amount relating to the net OPEB liability	<u>7,900,110</u>
Total deferred inflows of resources	<u>15,252,749</u>
Net Position	
Net investment in capital assets	(53,559,309)
Restricted for:	
Debt service	817,514
Capital projects	439,674
Unrestricted	<u>(88,002,518)</u>
Total net position	<u>\$ (140,304,639)</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Statement of Activities
For the Year Ended June 30, 2020

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/Programs				
Governmental activities				
Instruction	\$ 38,836,026	\$ -	\$ 1,551,512	\$ (37,284,514)
Supporting services	32,021,408	1,754,393	18,275,065	(11,991,950)
Food services	4,371,798	199,407	3,861,971	(310,420)
Community services	492,305	-	-	(492,305)
Interest and fiscal charges on long-term debt	<u>3,628,508</u>	<u>-</u>	<u>-</u>	<u>(3,628,508)</u>
Total governmental activities	<u>79,350,045</u>	<u>1,953,800</u>	<u>23,688,548</u>	<u>(53,707,697)</u>
General revenues				
Property taxes, levied for general purposes				10,685,686
Property taxes, levied for debt service				12,021,428
Property taxes, levied for sinking fund				4,040,512
Special education millage				6,022,482
State aid - unrestricted				19,622,330
Interest and investment earnings				224,732
Gain on sale of capital assets				28,007
Other				<u>284,950</u>
Total general revenues				<u>52,930,127</u>
Change in net position				(777,570)
Net position - beginning, as restated				<u>(139,527,069)</u>
Net position - ending				<u>\$(140,304,639)</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Debt Service Fund Willow Run	Capital Projects Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 3,153,056	\$ 256,169	\$ 1,949,460	\$ 1,624,479	\$ 6,983,164
Accounts receivable	22,188	-	-	-	22,188
Due from other governmental units	10,785,075	204,019	-	430,286	11,419,380
Inventory	92,296	-	-	-	92,296
Prepaid items	833,498	-	-	-	833,498
Total assets	<u>\$ 14,886,113</u>	<u>\$ 460,188</u>	<u>\$ 1,949,460</u>	<u>\$ 2,054,765</u>	<u>\$ 19,350,526</u>
Liabilities					
Checks issued in excess of deposits	\$ -	\$ -	\$ -	\$ 138,394	\$ 138,394
Accounts payable	1,188,207	-	1,509,786	187,504	2,885,497
State aid anticipation note payable	4,100,000	-	-	-	4,100,000
Due to other governmental units	603,119	-	-	2,354	605,473
Payroll deductions and withholdings	434,882	-	-	-	434,882
Accrued expenditures	128,706	-	-	-	128,706
Accrued salaries payable	3,656,135	-	-	20,489	3,676,624
Unearned revenue	167,440	-	-	-	167,440
Total liabilities	<u>10,278,489</u>	<u>-</u>	<u>1,509,786</u>	<u>348,741</u>	<u>12,137,016</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Debt Service Fund Willow Run	Capital Projects Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance					
Non-spendable					
Inventory	\$ 92,296	\$ -	\$ -	\$ -	\$ 92,296
Prepaid items	833,498	-	-	-	833,498
Restricted for					
Food service	-	-	-	403,843	403,843
Debt service	-	460,188	-	1,187,952	1,648,140
Capital projects	-	-	439,674	-	439,674
Committed	-	-	-	252,623	252,623
Unassigned	3,681,830	-	-	(138,394)	3,543,436
Total fund balance	<u>4,607,624</u>	<u>460,188</u>	<u>439,674</u>	<u>1,706,024</u>	<u>7,213,510</u>
Total liabilities and fund balance	<u>\$ 14,886,113</u>	<u>\$ 460,188</u>	<u>\$ 1,949,460</u>	<u>\$ 2,054,765</u>	<u>\$ 19,350,526</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2020

Total fund balances for governmental funds	\$ 7,213,510
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	811,830
Capital assets - net of accumulated depreciation	61,796,025
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	2,117,871
Deferred outflows of resources resulting from the net pension liability	26,600,393
Deferred outflows of resources resulting from the net OPEB liability	6,916,289
Deferred inflows of resources resulting from the net pension liability	(7,352,639)
Deferred inflows of resources resulting from the net OPEB liability	(7,900,110)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(830,626)
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	(91,128,278)
Net OPEB liability	(20,146,919)
Compensated absences	(116,950)
Bonds payable	(110,256,394)
School loan revolving fund	(4,640,864)
Capital lease	(82,377)
Other loans payable and liabilities	<u>(3,305,400)</u>
Net position of governmental activities	<u><u>\$(140,304,639)</u></u>

Ypsilanti Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	General Fund	Debt Service Fund Willow Run	Capital Projects Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 12,801,465	\$ 5,117,357	\$ 4,040,512	\$ 7,305,216	\$ 29,264,550
State sources	32,117,520	-	-	102,901	32,220,421
Federal sources	6,068,073	-	-	3,759,070	9,827,143
Interdistrict sources	7,232,354	-	-	-	7,232,354
Total revenues	<u>58,219,412</u>	<u>5,117,357</u>	<u>4,040,512</u>	<u>11,167,187</u>	<u>78,544,468</u>
Expenditures					
Current					
Education					
Instruction	31,042,447	-	-	-	31,042,447
Supporting services	25,450,550	-	-	144,831	25,595,381
Food services	-	-	-	3,494,470	3,494,470
Community services	442,665	-	-	-	442,665
Facilities acquisition	-	-	3,600,838	-	3,600,838
Capital outlay	385,732	-	-	1,206,459	1,592,191
Debt service					
Principal	1,699,519	14,677,000	-	4,945,000	21,321,519
Interest and other expenditures	788,122	1,215,236	-	2,113,911	4,117,269
Bond issuance costs	-	246,539	-	-	246,539
Payment to bond refunding escrow agent	-	6,227,000	-	-	6,227,000
Total expenditures	<u>59,809,035</u>	<u>22,365,775</u>	<u>3,600,838</u>	<u>11,904,671</u>	<u>97,680,319</u>
Excess (deficiency) of revenues over expenditures	<u>(1,589,623)</u>	<u>(17,248,418)</u>	<u>439,674</u>	<u>(737,484)</u>	<u>(19,135,851)</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	General Fund	Debt Service Fund Willow Run	Capital Projects Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Proceeds from refinancing debt	\$ -	\$ 28,050,000	\$ -	\$ -	\$ 28,050,000
Payment to bond refunding escrow agent	-	(15,349,461)	-	-	(15,349,461)
Proceeds from school bond loan fund	-	4,609,139	-	-	4,609,139
Proceeds from sale of capital assets	28,007	-	-	-	28,007
Transfers in	175,000	-	-	-	175,000
Transfers out	-	-	-	(175,000)	(175,000)
Total other financing sources (uses)	<u>203,007</u>	<u>17,309,678</u>	<u>-</u>	<u>(175,000)</u>	<u>17,337,685</u>
Net change in fund balance	(1,386,616)	61,260	439,674	(912,484)	(1,798,166)
Fund balance - beginning, as restated	<u>5,994,240</u>	<u>398,928</u>	<u>-</u>	<u>2,618,508</u>	<u>9,011,676</u>
Fund balance - ending	<u>\$ 4,607,624</u>	<u>\$ 460,188</u>	<u>\$ 439,674</u>	<u>\$ 1,706,024</u>	<u>\$ 7,213,510</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
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, 2020

Net change in fund balances - Total governmental funds	\$ (1,798,166)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(4,587,780)
Capital outlay	2,987,961
Expenses are recorded when incurred in the statement of activities.	
Interest	(122,132)
Compensated absences	(41,357)
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	(9,796,782)
Net change in deferrals of resources related to the net pension liability	158,811
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	1,599,508
Net change in deferrals of resources related to the net OPEB liability	(273,906)
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.	
Debt issued	(32,659,139)
Repayments of long-term debt	41,996,519
Deferred amount on debt refunding	901,461
Amortization of premiums	958,799
Amortization of deferred amount on debt refunding	<u>(101,367)</u>
Change in net position of governmental activities	<u>\$ (777,570)</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Ypsilanti Community Schools (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.). 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

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

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

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.

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.

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

Sinking Fund - The Sinking Fund is used to record taxes received for the specific purpose of utilizing those funds to make major capital repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

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 Food Service Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for food service. The Student and School Activity Fund is used to account for and report the proceeds of specific revenue sources that are committed to expenditure for student and school activities. Operating deficits generated by these activities are generally transferred from the General Fund.

Ypsilanti Debt Service Fund - The Ypsilanti Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest, the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of debt related to the Ypsilanti School District subsequent to the consolidation in 2013.

Capital Projects Fund - The Lighting Project Fund is used to record loan proceeds or other revenue and the disbursement of invoices specifically for energy improvements. The fund is kept open until the purpose for which the fund was created has been accomplished.

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.

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2020, 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	
Willow Run	13.00000
Ypsilanti	7.00000
Sinking Fund	2.97120

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. 100% of the School District's tax roll lies within Washtenaw 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 Washtenaw 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 acquisition 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
Land improvements	20 - 50 years
Furniture and other equipment	5 - 20 years
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 financial 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 and OPEB plan 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 and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

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

Long-term Obligations - In the 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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred 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 district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan 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 and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

Fund Balance - 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 or by an official or committee to which the Board of Education has granted the authority 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.

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. 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. Management has determined to implement the requirements of this Statement for the fiscal year ending June 30, 2020, in accordance with the original implementation date of the statement.

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. Management has implemented the required portions of this Statement and will implement the remaining requirements as each Statement referenced becomes effective.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements. This statement was effective upon issuance in May of 2020.

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is

required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

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

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.

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

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			
Added needs	\$7,198,325	\$ 7,792,936	\$594,611
Pupil	6,638,102	7,054,069	415,967
Instructional staff	2,205,334	2,518,281	312,947
Operations and maintenance	4,984,313	5,291,886	307,573
Pupil transportation services	4,687,362	4,830,679	143,317
Central	1,264,965	1,350,475	85,510
Athletic activities	561,910	598,620	36,710
Capital outlay	372,846	385,732	12,886
Debt service			
Interest and fiscal charges	-	788,122	788,122
Food Service Fund	3,405,172	3,669,470	264,298
Student and School Activity Fund	-	144,831	144,831

Fund Deficits

The School District has an accumulated fund balance deficit in the Capital Projects Lighting Project Fund of \$138,394 as of June 30, 2020. The General Fund covers any deficit in this fund.

Compliance - Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable

provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 - Deposits and Investments

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

Cash	\$ 6,983,164
Checks issued in excess of deposits	<u>138,394</u>
Total	<u>\$ 6,844,770</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 272,209
Investments in securities, mutual funds, and similar vehicles	6,571,743
Petty cash and cash on hand	<u>818</u>
Total	<u>\$ 6,844,770</u>

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

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund - Cash management	\$ 2,832,938	6 months average	AAAm	Standard & Poor's
Michigan Liquid Asset Fund - MAX	<u>3,738,805</u>	6 months average	AAAm	Standard & Poor's
	<u>\$ 6,571,743</u>			

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

Interest rate risk - In accordance with its investment policy, the School District manages its exposure to declines in fair values by maintaining an acceptable level of liquidity in those investments to meet the School District's operating needs.

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.

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, \$0 of the School District's bank balance of \$272,804 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.

The School District has the following recurring fair value measurements as of June 30, 2020:

- Amounts invested in MILAF + MAX of \$3,738,805 and MILAF + cash management of \$2,832,938. The MILAF + Portfolio 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	\$ 811,830	\$ -	\$ -	\$ 811,830
Construction-in-progress	<u>2,550,140</u>	<u>-</u>	<u>2,550,140</u>	<u>-</u>
Total capital assets not being depreciated	<u>3,361,970</u>	<u>-</u>	<u>2,550,140</u>	<u>811,830</u>
Capital assets being depreciated				
Land improvements	5,928,059	86,158	-	6,014,217
Buildings and improvements	160,370,623	5,203,770	-	165,574,393
Furniture and equipment	1,978,094	200,151	-	2,178,245
Vehicles	<u>3,413,646</u>	<u>48,022</u>	<u>261,831</u>	<u>3,199,837</u>
Total capital assets being depreciated	<u>171,690,422</u>	<u>5,538,101</u>	<u>261,831</u>	<u>176,966,692</u>
Less accumulated depreciation for				
Land improvements	1,909,947	300,777	-	2,210,724
Buildings and improvements	104,548,752	4,072,629	-	108,621,381
Furniture and equipment	993,846	209,847	-	1,203,693
Vehicles	<u>3,392,173</u>	<u>4,527</u>	<u>261,831</u>	<u>3,134,869</u>
Total accumulated depreciation	<u>110,844,718</u>	<u>4,587,780</u>	<u>261,831</u>	<u>115,170,667</u>
Net capital assets being depreciated	<u>60,845,704</u>	<u>950,321</u>	<u>-</u>	<u>61,796,025</u>
Net capital assets	<u>64,207,674</u>	<u>950,321</u>	<u>2,550,140</u>	<u>62,607,855</u>

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

Governmental activities

Instruction	\$ 2,351,070
Supporting services	1,938,523
Food services	264,661
Community services	<u>33,526</u>
Total governmental activities	<u>\$ 4,587,780</u>

Note 6 - Interfund Transfers

Interfund transfers were made during the year, between the General Fund and the Food Service Fund totaling \$175,000. These transfers were made to reimburse the general fund for indirect costs incurred by the food service program.

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue was all composed of grant and categorical aid payments received prior to meeting all eligibility requirements of \$167,440.

Note 8 - Leases

Capital Leases

The School District has a capital lease for copiers. The future minimum lease payments are as follows:

Year ending June 30,	
2021	\$ 41,940
2022	41,940
2023	<u>6,974</u>
Total minimum lease payments	90,854
Less amount representing interest	<u>8,477</u>
Present value of minimum lease payments	<u>\$ 82,377</u>

The assets acquired through capital leases are as follows:

Machinery and equipment	\$ 183,948
Less accumulated depreciation	<u>83,390</u>
Total	<u>\$ 100,558</u>

Operating Leases - Lessor

The School District is the lessor of various mixed use spaces for periods through 2022. The total rent revenue for the fiscal year was \$388,315. The future minimum lease payments to be collected are as follows:

Year ending June 30,	
2021	\$ 646,904
2022	<u>211,458</u>
Total	<u>\$ 858,362</u>

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Note 9 - 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. The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	<u>\$3,162,214</u>	<u>\$4,100,000</u>	<u>\$3,162,214</u>	<u>\$4,100,000</u>

Note 10 - 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. For the School Bond Loan Fund, the State may withhold state aid if the School District is in default or apply late charges in an instance of default or fails to appropriately levy debt mills. 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	Within One Year
Bonds and notes payable					
General obligation bonds	\$ 113,120,000	\$ 28,050,000	\$ 35,530,000	\$ 105,640,000	\$ 15,315,000
Premium on bonds	<u>5,575,193</u>	<u>-</u>	<u>958,799</u>	<u>4,616,394</u>	<u>-</u>
Total bonds payable	<u>118,695,193</u>	<u>28,050,000</u>	<u>36,488,799</u>	<u>110,256,394</u>	<u>15,315,000</u>
Notes from direct borrowings and direct placements					
School Loan Revolving Fund	6,093,058	4,774,806	6,227,000	4,640,864	-
Installment loan	<u>3,508,200</u>	<u>-</u>	<u>202,800</u>	<u>3,305,400</u>	<u>134,000</u>
Total notes from direct borrowings and direct placements	<u>9,601,258</u>	<u>4,774,806</u>	<u>6,429,800</u>	<u>7,946,264</u>	<u>134,000</u>
Other liabilities					
Capital lease	119,096	-	36,719	82,377	38,367
Compensated absences	<u>75,593</u>	<u>104,312</u>	<u>62,955</u>	<u>116,950</u>	<u>60,000</u>
Total other liabilities	<u>194,689</u>	<u>104,312</u>	<u>99,674</u>	<u>199,327</u>	<u>98,367</u>
Total	<u>\$ 128,491,140</u>	<u>\$ 32,929,118</u>	<u>\$ 43,018,273</u>	<u>\$ 118,401,985</u>	<u>\$ 15,547,367</u>

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

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Notes to the Financial Statements
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General obligation bonds payable at year end, consist of the following:

			Bonds		Notes from direct borrowings and direct placements	
			Principal	Interest	Principal	Interest
\$12,800,000 2015 YPS refunding bonds due in annual installments of \$2,080,000 to \$2,220,000 through year 2026; interest at 2.25% to 5.0%.	\$	12,800,000				
\$22,785,000, 2011 WRCS Refunding Bonds payable in annual installments of \$2,025,000 to \$2,125,000 through the year 2031; interest at 3.5% to 5.0%.		2,110,000				
\$18,615,000, 2013 Revenue Bonds payable in annual installments of \$695,000 to \$2,010,000 through the year 2026; interest at 3.0% to 5.0%.		11,135,000				
\$33,745,000, 2016 Series A YCS Refunding Bonds payable in annual installments of \$1,800,000 to \$2,645,000 through the year 2032; interest at 4.0% to 5.0%.		28,215,000				
\$5,285,000, 2016 Series B YCS Refunding Bonds payable in annual installments of \$510,000 to \$1,235,000 through the year 2023; interest at 1.5% to 2.62%.		3,265,000				
\$32,965,000, 2016 Series C YCS Refunding Bonds payable in annual installments of \$6,350,000 to \$6,765,000 through the year 2023; interest at 1.81% to 2.62%.		20,065,000				
\$28,050,000, 2020 Refunding Bonds payable in annual installments of \$1,965,000 to \$3,590,000 through the year 2031; interest at 1.814% to 2.463%.		<u>28,050,000</u>				
Total general obligation bonded debt	\$	<u>105,640,000</u>				

	Bonds		Notes from direct borrowings and direct placements	
	Principal	Interest	Principal	Interest
Year Ending June 30,				
2021	\$ 15,315,000	\$ 3,701,041	\$ 134,400	\$ 138,142
2022	16,050,000	3,124,570	148,400	132,327
2023	16,325,000	2,596,952	163,300	125,912
2024	9,420,000	2,109,064	179,000	118,861
2025	9,635,000	1,755,392	195,600	111,135
2026 - 2030	31,685,000	4,578,274	1,264,200	413,359
2031 - 2035	<u>7,210,000</u>	<u>442,898</u>	<u>1,220,500</u>	<u>106,787</u>
Total	<u>\$ 105,640,000</u>	<u>\$ 18,308,191</u>	<u>\$ 3,305,400</u>	<u>\$ 1,146,523</u>

The School District's outstanding note from direct borrowings and direct placements related to governmental activities of \$3,305,400 is an installment loan for financing the purchase of equipment for the Schneider Electric Project. The loan is due in annual installments of \$63,800 to \$191,100 through 2034 with interest at 4.22%.

State School Loan Revolving Fund

The State School Loan Revolving Fund consists of a direct borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Loan Revolving Fund. The School District had an outstanding balance at yearend of \$4,640,864. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer. The principal must be repaid no later than May 1, 2037.

Compensated Absences

Accrued compensated absences at year end, consist of \$116,950 of vacation hours earned and vested.

The general obligation bonds are payable from the General Fund and Debt Service Funds. As of year end, the funds had a balance of \$4,607,624 and \$1,648,140, respectively to pay this debt. Future debt and interest will be payable from future tax levies.

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Advance Refunding

On March 12, 2020, the School District issued general obligation bonds of \$28,050,000 (par value) with an interest rate of 1.814% to 2.463% to advance refund term bonds with an average interest rate of 4.15% and a par value of \$20,675,000, and to repay the School District's School Loan Revolving Fund balance of \$6,227,000 with an interest rate of 3.12%. After paying issuance costs of \$246,539, the net proceeds of the general obligation bonds were \$27,803,461. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the School District's financial statements.

As a result of the advance refunding, the School District reduced its total debt service requirements by \$1,751,361; net present value of \$1,618,443.

Deferred Amount on Refunding

The advance refunding above and those recorded in prior years resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,117,871. 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 2032.

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

Note 11 - Risk Management

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

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

Note 12 - Pension Plan

Plan Description

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

Ypsilanti Community Schools
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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 on the ORS website at www.michigan.gov/orsschools

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 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 plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2019.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.25%
Member Investment Plan	3.0 - 7.0%	18.25%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$7,310,096 for the year ending September 30, 2019.

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

At June 30, 2020, School District reported a liability of \$91,128,278 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the School District's proportion was 0.2752 percent, which was an increase of 0.0047 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the School District recognized pension expense of \$14,082,136 for the measurement period. For the reporting period ending June 30, 2020, the School District recognized total pension contribution expense of \$7,754,651.

At June 30, 2020, 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	Total
Difference between expected and actual experience	\$ 408,466	\$ (379,996)	\$ 28,470
Changes of assumptions	17,842,981	-	17,842,981
Net difference between projected and actual earnings on pension plan investments	-	(2,920,506)	(2,920,506)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>1,062,954</u>	<u>(932,789)</u>	<u>130,165</u>
Total to be recognized in future	19,314,401	(4,233,291)	15,081,110
School District contributions subsequent to the measurement date	<u>7,285,992</u>	<u>(3,119,348)</u>	<u>4,166,644</u>
Total	<u>\$26,600,393</u>	<u>\$(7,352,639)</u>	<u>\$19,247,754</u>

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Contributions subsequent to the measurement date 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 ending June 30, 2021. The District will offset the contribution expense in the year ended June 30, 2021 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year
 (To Be Recognized in Future Pension Expenses)

2020		\$ 5,624,153
2021		4,851,204
2022		3,273,643
2023		<u>1,332,110</u>
		<u>\$ 15,081,110</u>

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, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans 6.80%
 - Pension Plus Plan 6.80%
 - Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4977 years.

Recognition period for assets is 5 years.

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Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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 allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	28.0 %	5.5%
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	<u>100.0%</u>	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 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.

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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 the discount rate of 6.80% (6.80% for the Pension plus plan, 6.0% for the Pension Plus 2 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 higher:

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 118,472,591	\$ 91,128,278	\$ 65,458,900

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

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

Note 13 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) 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's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

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Benefits Provided

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

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

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

Contributions

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

Employer OPEB 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, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

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The schedule below summarizes OPEB contribution rates in effect for fiscal year 2019.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$1,927,210 for the year ended September 30, 2019.

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

At June 30, 2020, the School District reported a liability of \$20,146,919 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the School District's proportion was 0.2807 percent, which was an increase of 0.0071 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the School District recognized OPEB expense of \$645,034 for the measurement period. For the reporting period ending June 30, 2020, the School District recognized total OPEB contribution expense of \$2,039,770.

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$(7,392,474)	\$(7,392,474)
Changes of assumptions	4,365,429	-	4,365,429
Net difference between projected and actual earnings on OPEB plan investments	-	(350,365)	(350,365)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>727,521</u>	<u>(157,271)</u>	<u>570,250</u>
Total to be recognized in future	5,092,950	(7,900,110)	(2,807,160)
School District contributions subsequent to the measurement date	<u>1,823,339</u>	<u>-</u>	<u>1,823,339</u>
Total	<u>\$ 6,916,289</u>	<u>\$(7,900,110)</u>	<u>\$ (983,821)</u>

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

Contributions subsequent to the measurement date 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year
 (To Be Recognized in Future OPEB Expenses)

2020	\$ (808,212)
2021	(808,212)
2022	(631,967)
2023	(375,770)
2024	<u>(182,999)</u>
	<u>\$ (2,807,160)</u>

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, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 5.7101 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	28.0 %	5.5%
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	<u>100.0%</u>	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. 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 OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 24,713,223	\$ 20,146,919	\$ 16,312,491

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 16,149,928	\$ 20,146,919	\$ 24,712,681

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

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

Note 14 - 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, 2020.

Note 15 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the various municipalities. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

There are no significant abatements made by the School District that would have a material effect on the financial statements.

Note 16 - Change in Accounting Principle

As indicated in Note 1, Governmental Accounting Standards Board Statement 84 has been adopted. The standard requires this change be applied retroactively. The impact of this change is to increase beginning fund balance in the Student/School Activity Fund as of July 1, 2019 by \$211,753, restating it from \$0 to \$211,753 and to increase beginning net position in Governmental Activities as of July 1, 2019 by \$211,753, restating it from (\$139,738,822) to (\$139,527,069).

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2020

Note 17 - Subsequent Event

As result of the global coronavirus pandemic of 2020, the financial picture for Michigan School Districts has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the local and global picture continues to change frequently. To reduce the chance of spreading COVID-19; in March 2020, public schools were closed for the remainder of the 2019-2020 school year. As a result of the pandemic, the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for Districts of \$175 per pupil which reduced the state aid payment in August of 2020. Subsequent to year end, multiple new revenue sources were approved; including Public Act 123 of 2020 which provides Districts an approximate \$12.32 per pupil and Public Act 146 of 2020 which provides Districts \$350 per pupil. These new revenue streams approved after June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by the Governmental Accounting Standards Board. Additionally, the "Return to Learn" legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation and allows flexibilities in the days and attendance requirements for Districts. Local districts are able to decide whether to provide instruction virtually or face to face for the 2020-2021 school year. Currently, it is not possible to estimate the full extent of any potential impacts to the District or to determine if any changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of these events.

REQUIRED SUPPLEMENTARY INFORMATION

Ypsilanti Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 10,813,058	\$ 10,602,981	\$ 12,801,465	\$ 2,198,484
State sources	31,477,321	30,921,660	32,117,520	1,195,860
Federal sources	7,560,614	8,687,204	6,068,073	(2,619,131)
Interdistrict sources	8,001,964	7,566,656	7,232,354	(334,302)
Total revenues	<u>57,852,957</u>	<u>57,778,501</u>	<u>58,219,412</u>	<u>440,911</u>
Expenditures				
Instruction				
Basic programs	24,330,045	23,508,895	23,249,511	(259,384)
Added needs	6,540,968	7,198,325	7,792,936	594,611
Supporting services				
Pupil	6,325,627	6,638,102	7,054,069	415,967
Instructional staff	2,315,884	2,205,334	2,518,281	312,947
General administration	771,789	699,938	693,893	(6,045)
School administration	2,681,207	2,346,745	2,293,317	(53,428)
Business	826,055	875,881	819,330	(56,551)
Operations and maintenance	5,480,977	4,984,313	5,291,886	307,573
Pupil transportation services	3,807,049	4,687,362	4,830,679	143,317
Central	1,436,890	1,264,965	1,350,475	85,510
Athletic activities	623,903	561,910	598,620	36,710
Community services	-	461,269	442,665	(18,604)
Capital outlay	364,108	372,846	385,732	12,886
Debt service				
Principal	2,103,500	2,103,500	1,699,519	(403,981)
Interest and fiscal charges	-	-	788,122	788,122
Total expenditures	<u>57,967,868</u>	<u>57,909,385</u>	<u>59,809,035</u>	<u>1,899,650</u>
Deficiency of revenues over expenditures	<u>(114,911)</u>	<u>(130,884)</u>	<u>(1,589,623)</u>	<u>(1,458,739)</u>

Ypsilanti Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ 30,000	\$ 28,007	\$ (1,993)
Transfers in	175,000	175,000	175,000	-
Transfers out	<u>(60,089)</u>	<u>(74,116)</u>	<u>-</u>	<u>74,116</u>
Total other financing sources (uses)	<u>114,911</u>	<u>130,884</u>	<u>203,007</u>	<u>72,123</u>
Net change in fund balance	-	-	(1,386,616)	(1,386,616)
Fund balance - beginning	<u>5,994,240</u>	<u>5,994,240</u>	<u>5,994,240</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,994,240</u>	<u>\$ 5,994,240</u>	<u>\$ 4,607,624</u>	<u>\$ (1,386,616)</u>

Ypsilanti Community Schools
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, of Each June Fiscal Year)

	June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. School District's proportion of net pension liability (%)	0.2752%	0.2705%	0.2694%	0.2718%	0.2836%	0.2673%				
B. School District's proportionate share of net pension liability	\$ 91,128,278	\$ 81,331,496	\$ 69,813,122	\$ 67,821,267	\$ 69,278,931	\$ 58,879,966				
C. School District's covered payroll	\$ 24,733,759	\$ 23,432,410	\$ 22,767,911	\$ 22,743,743	\$ 25,191,176	\$ 28,132,146				
D. School District's proportionate share of net pension liability as a percentage of its covered payroll	368.44%	347.09%	306.63%	298.20%	275.01%	209.30%				
E. Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%				

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

Ypsilanti Community Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$ 7,754,651	\$ 7,243,676	\$ 7,382,158	\$ 6,305,977	\$ 6,298,756	\$ 5,333,181				
B. Contributions in relation to statutorily required contributions	<u>7,754,651</u>	<u>7,243,676</u>	<u>7,382,158</u>	<u>6,305,977</u>	<u>6,298,756</u>	<u>5,333,181</u>				
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
D. School Districts's covered payroll	\$ 26,282,111	\$ 24,403,657	\$ 23,260,441	\$ 22,724,710	\$ 22,777,776	\$ 23,937,241				
E. Contributions as a percentage of covered payroll	29.51%	29.68%	31.74%	27.75%	27.65%	22.28%				

Ypsilanti Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. School District's proportion of the net OPEB liability (%)	0.2807%	0.2736%	0.2701%							
B. School District's proportionate share of the net OPEB liability	\$ 20,146,919	\$ 21,746,427	\$ 23,916,493							
C. School District's covered payroll	\$ 24,733,759	\$ 23,432,410	\$ 22,767,911							
D. School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.46%	92.80%	105.04%							
E. Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%							

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

Ypsilanti Community Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$ 2,039,770	\$ 1,890,235	\$ 1,717,090							
B. Contributions in relation to statutorily required contributions	<u>2,039,770</u>	<u>1,890,235</u>	<u>1,717,090</u>							
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D. School Districts's covered payroll	\$ 26,282,111	\$ 24,403,657	\$ 23,260,441							
E. Contributions as a percentage of covered payroll	7.76%	7.75%	7.38%							

OTHER SUPPLEMENTARY INFORMATION

Ypsilanti Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total Nonmajor
	Food Service	Student/School Activity Fund	Ypsilanti	Lighting Project	Governmental Funds
Assets					
Cash	\$ 260,769	\$ 253,577	\$ 1,110,133	\$ -	\$ 1,624,479
Due from other governmental units	<u>352,467</u>	<u>-</u>	<u>77,819</u>	<u>-</u>	<u>430,286</u>
Total assets	<u>\$ 613,236</u>	<u>\$ 253,577</u>	<u>\$ 1,187,952</u>	<u>\$ -</u>	<u>\$ 2,054,765</u>
Liabilities					
Checks issued in excess of deposits	\$ -	\$ -	\$ -	\$ 138,394	\$ 138,394
Accounts payable	186,550	954	-	-	187,504
Due to other governmental units	2,354	-	-	-	2,354
Accrued salaries payable	<u>20,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,489</u>
Total liabilities	<u>209,393</u>	<u>954</u>	<u>-</u>	<u>138,394</u>	<u>348,741</u>
Fund Balance					
Restricted for					
Food service	403,843	-	-	-	403,843
Debt service	-	-	1,187,952	-	1,187,952
Committed	-	252,623	-	-	252,623
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(138,394)</u>	<u>(138,394)</u>
Total fund balance (deficit)	<u>403,843</u>	<u>252,623</u>	<u>1,187,952</u>	<u>(138,394)</u>	<u>1,706,024</u>
Total liabilities and fund balance (deficit)	<u>\$ 613,236</u>	<u>\$ 253,577</u>	<u>\$ 1,187,952</u>	<u>\$ -</u>	<u>\$ 2,054,765</u>

Ypsilanti Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total Nonmajor
	Food Service	Student/School Activity Fund	Ypsilanti	Lighting Project	Governmental Funds
Revenues					
Local sources	\$ 205,658	\$ 185,701	\$ 6,909,400	\$ 4,457	\$ 7,305,216
State sources	102,901	-	-	-	102,901
Federal sources	3,759,070	-	-	-	3,759,070
Total revenues	<u>4,067,629</u>	<u>185,701</u>	<u>6,909,400</u>	<u>4,457</u>	<u>11,167,187</u>
Expenditures					
Current					
Education					
Supporting services	-	144,831	-	-	144,831
Food services	3,494,470	-	-	-	3,494,470
Capital outlay	-	-	-	1,206,459	1,206,459
Debt service					
Principal	-	-	4,945,000	-	4,945,000
Interest and other expenditures	-	-	2,113,911	-	2,113,911
Total expenditures	<u>3,494,470</u>	<u>144,831</u>	<u>7,058,911</u>	<u>1,206,459</u>	<u>11,904,671</u>
Excess (deficiency) of revenues over expenditures	573,159	40,870	(149,511)	(1,202,002)	(737,484)
Other Financing Uses					
Transfers out	<u>(175,000)</u>	-	-	-	<u>(175,000)</u>
Net change in fund balance	398,159	40,870	(149,511)	(1,202,002)	(912,484)
Fund balance - beginning, as restated	<u>5,684</u>	<u>211,753</u>	<u>1,337,463</u>	<u>1,063,608</u>	<u>2,618,508</u>
Fund balance - ending	<u>\$ 403,843</u>	<u>\$ 252,623</u>	<u>\$ 1,187,952</u>	<u>\$ (138,394)</u>	<u>\$ 1,706,024</u>

Ypsilanti Community Schools

Single Audit Report

June 30, 2020



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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
Ypsilanti Community Schools
Ypsilanti, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ypsilanti Community Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Ypsilanti Community Schools' basic financial statements, and have issued our report thereon dated October 16, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003, 2020-004, and 2020-005 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ypsilanti Community Schools' 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-004 and 2020-005.

Ypsilanti Community Schools' Response to Findings and Corrective Action Plan

Ypsilanti Community Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Ypsilanti Community Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Ann Arbor, MI
October 16, 2020



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Report on Compliance For Each Major Federal 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
Ypsilanti Community Schools
Ypsilanti, Michigan

Report on Compliance for Each Major Federal Program

We have audited the Ypsilanti Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ypsilanti Community Schools' major federal programs for the year ended June 30, 2020. Ypsilanti Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Ypsilanti Community Schools' 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 Ypsilanti Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Ypsilanti Community Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Ypsilanti Community Schools 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, 2020.

Report on Internal Control Over Compliance

Management of Ypsilanti Community Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Ypsilanti Community Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Ypsilanti Community Schools' 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 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 the Ypsilanti Community Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Ypsilanti Community Schools' basic financial statements. We issued our report thereon dated October 16, 2020, 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.

Ann Arbor, MI
October 16, 2020

Ypsilanti Community Schools
Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Agency Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor Number	Approved Award / Grant Amount	Accrued (Unearned) Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue June 30, 2020
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance								
National School Lunch Program - Entitlement Commodities	10.555	2019 - 2020	\$ 159,202	\$ -	\$ -	\$ 159,202	\$ 159,202	\$ -
National School Lunch Program - Entitlement Bonus	10.555	2019 - 2020	78	-	-	78	78	-
Total non-cash assistance				-	-	159,280	159,280	-
Cash assistance								
School Breakfast Program	10.553	191970	776,602	104,491	633,707	142,895	247,386	-
School Breakfast Program	10.553	201970	494,392	-	-	494,392	494,392	-
Total School Breakfast Program				104,491	633,707	637,287	741,778	-
National School Lunch Program	10.555	191960	1,608,051	207,542	1,304,102	303,949	511,491	-
National School Lunch Program - Snack	10.555	191980	21,793	2,824	20,630	1,163	3,987	-
COVID-19 Unanticipated School Closure Summer Food Service Program	10.555	200902	1,382,027	-	-	1,382,027	1,048,278	333,749
National School Lunch Program	10.555	201960	989,757	-	-	989,757	989,757	-
National School Lunch Program - Snack	10.555	201980	14,500	-	-	14,500	14,500	-
Total National School Lunch Program				210,366	1,324,732	2,691,396	2,568,013	333,749
Summer Food Service Program for Children - Lunch	10.559	190900	64,571	-	-	64,571	64,571	-
Summer Food Service Program for Children - Snack	10.559	191900	5,467	-	-	5,467	5,467	-
Total Summer Food Service Program				-	-	70,038	70,038	-
Total cash assistance				314,857	1,958,439	3,398,721	3,379,829	333,749
Total Child Nutrition Cluster				314,857	1,958,439	3,558,001	3,539,109	333,749
Passed through Michigan Department of Education								
Child and Adult Care Food Program - Meals								
Child and Adult Care Food Program - Meals	10.558	191920	174,142	-	150,583	23,559	23,559	-
Child and Adult Care Food Program - Cash in Lieu	10.558	192010	10,874	-	9,522	1,352	1,352	-
Child and Adult Care Food Program - Meals	10.558	201920	127,404	-	-	127,404	127,404	-
Child and Adult Care Food Program - Cash in Lieu	10.558	202010	6,805	-	-	6,805	6,805	-
Total Child and Adult Care Food Program				-	160,105	159,120	159,120	-
Passed through Michigan Department of Education								
Fresh Fruit and Vegetable Program								
Fresh Fruit and Vegetable Program	10.582	190950	2,384	-	-	2,384	2,384	-
Fresh Fruit and Vegetable Program	10.582	200950	39,565	-	-	39,565	39,565	-
Total Fresh Fruit and Vegetable Program				-	-	41,949	41,949	-
Total U.S. Department of Agriculture				314,857	2,118,544	3,759,070	3,740,178	333,749

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Ypsilanti Community Schools
Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Agency Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor Number	Approved Award / Grant Amount	Accrued (Unearned) Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue June 30, 2020
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	191530	\$ 2,571,134	\$ 1,726,924	\$ 1,726,924	\$ 502,767	\$ 2,229,691	\$ -
Title I Grants to Local Educational Agencies	84.010	201530	2,559,733	-	-	1,874,298	907,151	967,147
Total Title I Grants to Local Educational Agencies				<u>1,726,924</u>	<u>1,726,924</u>	<u>2,377,065</u>	<u>3,136,842</u>	<u>967,147</u>
Career and Technical Education - Basic Grants to States	84.048A	193520	76,330	29,401	65,042	-	29,401	-
Career and Technical Education - Basic Grants to States	84.048A	203520	59,862	-	-	55,133	-	55,133
Total Career and Technical Education - Basic Grants to States				<u>29,401</u>	<u>65,042</u>	<u>55,133</u>	<u>29,401</u>	<u>55,133</u>
Passed through Washtenaw Intermediate School District								
Special Education Cluster								
Special Education Grants to States	84.027A	190450	1,112,506	334,415	334,415	778,091	1,112,506	-
Special Education Grants to States	84.027A	200450	1,196,123	-	-	398,158	-	398,158
Total Special Education Grants to States				<u>334,415</u>	<u>334,415</u>	<u>1,176,249</u>	<u>1,112,506</u>	<u>398,158</u>
Special Education Preschool Grants	84.173	190460	29,849	29,849	29,849	-	29,849	-
Special Education Preschool Grants	84.173	200460	44,489	-	-	44,489	-	44,489
Total Special Education Preschool Grants				<u>29,849</u>	<u>29,849</u>	<u>44,489</u>	<u>29,849</u>	<u>44,489</u>
Total Special Education Cluster				<u>364,264</u>	<u>364,264</u>	<u>1,220,738</u>	<u>1,142,355</u>	<u>442,647</u>
Passed through Michigan Department of Education								
English Language Acquisition State Grants - Immigrant	84.365A	190570	20,599	5,269	20,599	5,534	10,803	-
English Language Acquisition State Grants - Immigrant	84.365A	200570	22,957	-	-	750	-	750
Total English Language Acquisition State Grants - Immigrant				<u>5,269</u>	<u>20,599</u>	<u>6,284</u>	<u>10,803</u>	<u>750</u>
Passed through Washtenaw Intermediate School District								
English Language Acquisition State Grants	84.365A	190570	53,393	11,041	11,041	31,605	42,646	-
English Language Acquisition State Grants	84.365A	200570	48,339	-	-	30,678	-	30,678
Total English Language Acquisition State Grants				<u>11,041</u>	<u>11,041</u>	<u>62,283</u>	<u>42,646</u>	<u>30,678</u>
Passed through Michigan Department of Education								
Supporting Effective Instruction State Grants	84.367	190520-1819	745,032	396,071	396,071	64,942	461,013	-
Supporting Effective Instruction State Grants	84.367	200520-1920	663,169	-	-	386,341	320,428	65,913
Total Supporting Effective Instruction State Grants				<u>396,071</u>	<u>396,071</u>	<u>451,283</u>	<u>781,441</u>	<u>65,913</u>
Passed through Michigan Department of Education								
Student Support and Academic Enrichment Program	84.424	190750-1819	174,310	101,067	101,067	20,976	122,043	-
Student Support and Academic Enrichment Program	84.424	200750-1920	64,961	-	-	106,199	-	106,199
Total Student Support and Academic Enrichment Program				<u>101,067</u>	<u>101,067</u>	<u>127,175</u>	<u>122,043</u>	<u>106,199</u>
Total U.S. Department of Education				<u>2,634,037</u>	<u>2,685,008</u>	<u>4,299,961</u>	<u>5,265,531</u>	<u>1,668,467</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Ypsilanti Community Schools
Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Agency Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor Number	Approved Award / Grant Amount	Accrued (Unearned) Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue June 30, 2020
U.S. Department of Health and Human Services								
Passed through Washtenaw Intermediate School District								
Head Start Cluster								
Head Start	93.600	05CH0106	\$ 1,679,884	\$ 982,960	\$ 1,679,884	\$ -	\$ 982,960	\$ -
Head Start	93.600	05CH8329	1,854,244	-	-	1,760,540	936,586	823,954
Total Head Start Cluster				982,960	1,679,884	1,760,540	1,919,546	823,954
Passed through Washtenaw Intermediate School District								
Medicaid Cluster								
Medical Assistance Program	93.778	2018 - 2019	68,210	68,210	68,210	-	68,210	-
Medical Assistance Program	93.778	2019 - 2020	7,572	-	-	7,572	-	7,572
Total Medicaid Cluster				68,210	68,210	7,572	68,210	7,572
Total U.S. Department of Health and Human Services				1,051,170	1,748,094	1,768,112	1,987,756	831,526
Total Federal Financial Assistance				\$4,000,064	\$ 6,551,646	\$ 9,827,143	\$10,993,465	\$ 2,833,742

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Ypsilanti Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Ypsilanti Community Schools under programs of the federal government for the year ended June 30, 2020. 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 Ypsilanti Community Schools, it is not intended to and does not present the financial position and changes in financial positions of Ypsilanti Community Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Ypsilanti Community Schools has elected not to use the 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.

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Ypsilanti Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2020

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:

	Per Grant Auditor Report	Per Schedule of Expenditures of Federal Awards	Variance
School Breakfast Program			
Project Number: 191970	\$ 142,895	\$ 247,386	\$ 104,491
National School Lunch Program			
Project Number: 191960	303,948	511,491	207,543
Project Number: 191980	1,163	3,987	2,824
	305,111	515,478	210,367
Total	\$ 448,006	\$ 762,864	\$ 314,858

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

Ypsilanti Community Schools
Schedule of Findings and Questioned Costs
June 30, 2020

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 weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)? yes X no

Identification of major programs:

CFDA Number(s)

10.553 / 10.555 / 10.559
 84.010
 93.600

Name of Federal Program or Cluster

Child Nutrition Cluster
 Title I Grants to Local Education Agencies
 Head Start Cluster

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

Auditee qualified as low-risk auditee? yes X no

Ypsilanti Community Schools
Schedule of Findings and Questioned Costs
June 30, 2020

Section II - Government Auditing Standards Findings

Finding 2020-001, 2019-001 - Material Weakness - Timely Year-end Closing and Workpaper Preparation

- Criteria:** The timely preparation and issuance of financial statements in accordance with generally accepted accounting principles requires a coordinated effort between management and the external auditors. This places the burden on the auditee to properly prepare for the audit, including timely closing of the accounting records, preparation of workpapers to support the significant account balances and obtaining the necessary documents needed to perform their procedures.
- Condition:** Year-end reconciliations and closing entries were not complete at the start of the audit. Reconciliations and journal entries needed to adjust the District's general ledger to the appropriate balances were not completed for several weeks after the audit was scheduled and could not have been done without the assistance of individuals outside of School District personnel. Furthermore, no formal review process exists for these account reconciliations. Auditors were unable to determine timeliness of reconciliations completed during the year. Lastly, pooled cash accounts were not properly utilized during the year and transfers between the general depository and debt service fund bank accounts were not made during the year.
- Cause and Effect:** Procedures were not in place to ensure timely reconciliation of account balances during the year. Several accounts carried incorrect balances over the course of the year (carry over from prior year). Management was unable to timely close the accounting records and prepare for the audit. Additionally, we identified and proposed multiple material audit adjustments (which were approved and posted by management) to adjust the District's general ledger to the appropriate balances.
- Recommendation:** We recommend that the School District develop and adhere to procedures to ensure the timely reconciliation of all balances during the year. These reconciliations should be reviewed and properly documented to ensure timely issuance of the financial statements.
- Views of Responsible Officials:** Management agrees with the finding.
- Corrective Action Plan:** See attached corrective action plan from management.

Ypsilanti Community Schools
Schedule of Findings and Questioned Costs
June 30, 2020

Finding 2020-002, 2019-002 - Material Weakness - Material Audit Adjustments

Criteria:	The District is responsible for the reconciliation of all general ledger accounts to their underlying balances for the purpose of creating a reasonably adjusted trial balance from which the basic financial statements are derived.
Condition:	During the audit, multiple adjustments were provided in order to reach proper year-end balances. Several of the adjustments were identified by the auditors, while others were provided by the School District.
Cause and Effect:	The School District's internal controls did not detect all adjustments necessary to properly record year-end balances. As a result of this condition, the District's financial statements were initially misstated by amounts that were material to the financial statements.
Recommendation:	We recommend that the School District prepare, review, and reconcile all year-end schedules that are used in financial reporting prior to audit fieldwork.
Views of Responsible Officials:	Management agrees with the finding.
Corrective Action Plan:	See attached corrective action plan from management.

Ypsilanti Community Schools
Schedule of Findings and Questioned Costs
June 30, 2020

Finding 2020-003, 2019-005 - Material Weakness - ORS Contributions

- Criteria:** The District is responsible for ensuring that the amounts reported to the State Office of Retirement Systems (ORS) agree to the District's payroll records.
- Condition:** The information reported to ORS is not fully reconciled to ensure that it agrees with the District's payroll records. During the prior year, significant adjustments were necessary as a result of a review performed by ORS. We noted variances in 4 of 40 specific employee pay dates tested, however, every pay date during the year had a variance that was required to be addressed.
- Cause and Effect:** The School District's has not established appropriate controls to ensure that the payroll records are properly reconciled. As a result, there is an increased risk that information reported to ORS, as well as payments made to ORS, are not appropriate.
- Recommendation:** We recommend that the School District establish policies and procedures to ensure that amounts reported to ORS are reconciled to the School District's payroll records for each pay period, and that the reconciliation be reviewed by an individual knowledgeable of the ORS system.
- Views of Responsible Officials:** Management agrees with the finding.
- Corrective Action Plan:** See attached corrective action plan from management.

Ypsilanti Community Schools
Schedule of Findings and Questioned Costs
June 30, 2020

Finding 2020-004 - Material Weakness and Material Noncompliance - Budget Violations

Criteria:	A school district must prepare a budget for the general fund and any special revenue fund it may utilize. (MCL 141.422a)(MCL 380.622). Furthermore, the School shall not incur an expenditure against an appropriation account in excess of the amount authorized by the Board of Education.
Condition:	The School District incurred material budget overages in the general fund and special revenue funds during the year. No budget was prepared and/or approved for the Student and School Activity Fund. Furthermore, the budget maintained in the accounting software and used for monitoring did not match the board approved budget. The budget maintained in the accounting software also did not match certain grant budgets submitted to outside monitoring authorities.
Cause and Effect:	The School District has not established appropriate controls to ensure that the budget is maintained during the year. The budget was not properly monitored allowing the overages to exist.
Recommendation:	We recommend that the School District establish policies and procedures to ensure the budget is properly maintained and monitored throughout the year. This includes providing amendments throughout the year to the Board of Education for approval.
Views of Responsible Officials:	Management agrees with the finding.
Corrective Action Plan:	See attached corrective action plan from management.

Ypsilanti Community Schools
Schedule of Findings and Questioned Costs
June 30, 2020

Finding 2020-005 - Material Weakness and Material Noncompliance - Sinking Fund

- Criteria:** Sinking fund money, as with all funds of the school district, must be deposited in accordance with MCL 380.1221 of the Revised School Code. Investments of all school funds must be made in accordance with MCL 380.1223. The sinking fund money must be kept separate from other money of the school district. Furthermore, the Michigan School Accounting Manual (Bulletin 1022) recommend that districts use the "45X" series for recording activities associated with sinking funds. Function "261" is used for recording ongoing and routine custodial and janitorial services. Sinking funds may not be used for routine operations and maintenance.
- Condition:** The School District does not maintain a separate bank account for the sinking fund and accounted for all transactions under the "261" function code. Auditors performed testing on the transactions, and they were determined to be appropriate expenditures, however, the account classification was incorrect.
- Cause and Effect:** The School District's sinking fund is new during the year and proper controls and procedures were not established to ensure the proper recording of the amounts. As a result, cash balances were not properly segregated and incorrect account numbers were used.
- Recommendation:** We recommend that the School District establish policies and procedures to ensure the sinking fund is properly utilized. MCL 380.1212 indicates that "If the Department of Treasury determines from the audit report that the sinking fund has been used for a purpose other than those authorized for the sinking fund under this section, the school district shall repay the misused funds to the sinking fund from the school district's operating funds and shall not levy a sinking fund tax under this section after the date the Department of Treasury makes that determination."
- Views of Responsible Officials:** Management agrees with the finding.
- Corrective Action Plan:** See attached corrective action plan from management.

Section III - Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2020.

Ypsilanti Community Schools
Summary Schedule of Prior Audit Findings
June 30, 2020

Section IV - Prior Audit Findings

Government Auditing Standards Findings

Finding 2019-001 Material Weakness - Timely Year-end Closing and Workpaper Preparation

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

Status: Partially corrected - see Finding 2020-001

Finding 2019-002 Material Weakness - Material Audit Adjustments

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

Status: Partially corrected - see Finding 2020-002

Finding 2019-003 Material Weakness - Preparation of Financial Statements in Accordance with GAAP

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

Status: Corrected finding as identified in corrective action plan

Finding 2019-004 Material Weakness - Internal Controls over Cash Receipts

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

Status: Corrected finding as identified in corrective action plan

Ypsilanti Community Schools
Summary Schedule of Prior Audit Findings
June 30, 2020

Finding 2019-005 Material Weakness - Pension Contributions

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

Status: Partially corrected - see Finding 2020-003

Finding 2019-006 Significant Deficiency - Support and Independent Review of Manual Journal Entries

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

Status: Corrected finding as identified in corrective action plan

Federal Award Findings

Finding 2019-007 Material Noncompliance and Material Weakness - Child Nutrition Cluster - Cash Management

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

Status: Corrected finding as identified in corrective action plan



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CORRECTIVE ACTION PLAN

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in Ypsilanti Community Schools' audit report for the year ended June 30, 2020, and corrective actions to be completed.

Finding 2020-001, 2019-001- Material Weakness - Timely Year-end Closing and Work Paper Preparation

Auditor Description of Condition: Year-end reconciliations and closing entries were not complete at the start of the audit. Reconciliations and journal entries needed to adjust the District's general ledger to the appropriate balances were completed for several weeks after the audit was scheduled and could not have been done without the assistance of individuals outside of School District personnel. Furthermore, no formal review process exists for these account reconciliations. Auditors were unable to determine timeliness of reconciliations completed during the year. Lastly, pooled cash accounts were not properly utilized during the year, and transfers between the general depository and debt service fund bank accounts were not made during the year. Procedures were not in place to ensure timely reconciliation of account balances during the year. Several accounts carried incorrect balances over the course of the year (carry over from the prior year). Management was unable to timely close the accounting records and prepare for the audit. Additionally, we identified and proposed multiple material audit adjustments (which were approved and posted by management) to adjust the District's general ledger to the appropriate balances.

Recommendation: We recommend that the School District develop and adhere to procedures to ensure the timely reconciliation of all balances during the year. These reconciliations should be reviewed and properly documented to ensure timely issuance of the financial statements.

Corrective Action Plan: The district recognizes that the previous processes that were developed under previous Directors allowed for this condition to occur. This Director is open and willing to work with the audit firm and develop a solid, detailed, written plan to prepare for the audit. This shall include assigning responsibilities to appropriate staff personnel and a providing deadlines to complete the requests by the audit firm and ongoing monitoring of the progress on completing these tasks. The District will develop the format for this tracking document and the Superintendent and Director of Business and Finance will provide oversight of the progress.

Responsible Person: Director of Finance

Anticipated Completion Date: June 30, 2021



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Finding 2020-002, 2019-002 - Material Weakness - Material Audit Adjustments

Auditor Description of Condition: During the audit, multiple adjustments were provided in order to reach proper year-end balances. Several of the adjustments were identified by the auditors, while others were provided by the School District. The School District's internal controls did not detect all adjustments necessary to properly record year-end balances. As a result of this condition, the District's financial statements were initially misstated by amounts that were material to the financial statements.

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

Corrective Action Plan: As noted in Finding 2020-001, the District will develop a system to track the progress on the completion of the schedules requested by the audit firm. Balance sheet accounts will be reviewed quarterly throughout the year to distribute the reconciliation work throughout the entire year.

Responsible Person: Director of Finance

Anticipated Completion Date: June 30, 2021

Finding 2020-003, 2019-005 - Material Weakness - ORS Contributions

Auditor Description of Condition: The information reported to ORS is not fully reconciled to ensure that it agrees with the District's payroll records. During the prior year, significant adjustments were necessary as a result of a review performed by ORS. We noted variances in 4 of 40 specific employee pay dates tested, however, every pay date during the year had a variance that was required to be addressed. The School District has not established appropriate controls to ensure that the payroll records are properly reconciled. As a result, there is an increased risk that information reported to ORS, as well as payments made to ORS, are not appropriate.

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

Corrective Action Plan: The District will work with the audit firm to develop procedures to reconcile the payroll record to the data being reported to the Office of Retirement Services(ORS). Payroll accounts will be reviewed quarterly throughout the year to distribute the reconciliation work throughout the year.

Responsible Person: Director of Finance

Anticipated Completion Date: June 30, 2021



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Finding 2020-004 - Material Weakness and Material Noncompliance - Budget Violations

Auditor Description of Condition: The School District incurred material budget overages in the general fund and special revenue funds during the year. No budget was prepared and/or approved for the Student and School Activity Fund. Furthermore, the budget maintained in the accounting software and used for monitoring did not match the board-approved budget. The budget maintained in the accounting software also did not match certain grant budgets submitted to outside monitoring authorities. The School District has not established appropriate controls to ensure that budget is maintained during the year. The budget was not properly monitored allowing the overages to exist.

Recommendation: We recommend that the School District establish policies and procedures to ensure the budget is properly maintained and monitored throughout the year. This includes providing amendments throughout the year to the Board of Education for approval.

Corrective Action Plan: The district recognizes that the previous processes that were developed under previous Directors allowed for this condition to occur. The Director of Finance is open and willing to work with the audit firm to establish a solid, detailed, written plan to prepare for the fiscal year budget, including assigning responsibilities to appropriate staff personnel and ongoing monitoring of the progress on completing these tasks. The District will develop a format for tracking the budget on a monthly basis throughout the year and the Superintendent and Director of Business and Finance will provide oversight of the progress. The District will then communicate with the Board of Education on a monthly basis and keep them informed of budget variances throughout the year.

Responsible Person: Director of Finance

Anticipated Completion Date: June 30, 2021

Finding 2020-005 - Material Weakness and Material Noncompliance - Sinking Fund

Auditor Description of Condition: The School District does not maintain a separate bank account for the sinking fund and accounted for all transactions under the "261" function code. Auditors performed testing on the transactions, and they were determined to be appropriate expenditures, however, the account classification was incorrect. The School District's sinking fund is new during the year and proper controls and procedures were not established to ensure the proper recording of the amounts. As a result, cash balances were not properly segregated and incorrect account numbers were used.

Recommendation: We recommend that the School District establish policies and procedures to ensure the sinking fund is properly utilized. MCL 380.1212 indicates that "If the Department of Treasury determines from the audit report that the sinking fund has been used for a purpose other than those authorized for the sinking fund under this section, the school district shall repay the misused funds to the sinking fund from



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the school district's operating funds and shall not levy a sinking fund tax under this section after the date the Department of Treasury makes that determination."

Corrective Action Plan: The District will work with the audit firm to develop a solid, detailed, written plan to develop procedures to reconcile the Sinking Fund and open a separate account for depositing the funds received through sinking funds. Sinking Fund accounts will be reviewed monthly throughout the year to distribute the reconciliation work throughout the year.

Responsible Person: Director of Finance

Anticipated Completion Date: June 30, 2021

Priya Nayak
Director of Business and Finance



October 16, 2020

Management and the Board of Education
Ypsilanti Community Schools
Ypsilanti, MI

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Ypsilanti Community Schools as of and for the year ended June 30, 2020, and have issued our report dated October 16, 2020. 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.

Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

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

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

Yeo & Yeo, P.C.

Ann Arbor, 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 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 May 10, 2020. 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 the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2019:

- 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: (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.
- Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.
- Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements.

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 estimates affecting the School District's financial statements 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.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We have 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.

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

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

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

Regulatory and Other Updates

FER Extended Time Notification

The 2019-20 Final Expenditure Report (FER) due date is November 29, 2020. This report should reconcile to the Single Audit Report and the LEA's financial records. LEAs should verify that the figures on the report are a true and accurate representation of expenditures for each project. LEAs experiencing extenuating circumstances will be allowed to request additional time for submission prior to November 21, 2020, to the Office of Educational Supports Financial Unit at OFSFinancial-Unit@michigan.gov. Extension time is available if needed but will not exceed December 31, 2020. Your timely submission of these reports helps ensure carryover funds are available for program implementation for the current school year.

District Guide to School-Level Expenditure Reporting Under the Every Student Succeeds Act (ESSA)

The federal Every Student Succeeds Act (ESSA) contains a new requirement that all local public school districts (local education agencies and public school academies) publish actual per-pupil expenditures by individual school building. MDE has recently published a District Guide to School-Level Expenditure Reporting under the Every Student Succeeds Act to assist districts in communication planning around this data that will be posted on the Michigan School Data website no later than June 30, 2020. This guide is intended to support district-level personnel communicating with principals, educators, community members, and media on the reporting requirement and school-level spending information. Districts are encouraged to continue to scrutinize reporting results at the building level and use building codes when applicable to properly allocate expenses to avoid future questions resulting from this data being available to the public.

Financial Accounting Guidance During the COVID-19 Pandemic

Michigan Department of Education (MDE) has issued guidance about financial accounting for transactions related to the COVID19 pandemic, school closures, and implementation of a Continuity of Learning and COVID19 Response Plan. This guidance is updated regularly and can be found using this link: https://www.michigan.gov/documents/mde/COVID-19_Accounting_Guidance_691616_7.pdf

FID Changes for 2020 and Beyond

Expenditure object code requirements submitted through the FID will be changing. The system currently allows for two-digit detail. This is being changed to require three digits. The 2019-20 submission will generate warnings for data that doesn't comply with the three-digit detail. Take note of the warnings in order to correct them prior to the 2020-21 submission. If the data is not in compliance for the 2021 submission, error codes will be generated. The goal of this change is to potentially reduce or streamline other program specific reporting. There will also be a new error check to ensure that any buildings that have an enrollment greater than zero should have expenditures reported.

ESSER and CARES Act Accounting

As LEAs are recognizing Elementary and Secondary School Emergency Relief (ESSER) fund in revenues and expenditures, a new account code should be used. The new major class code of 414 should be used with a suffix of 0250. Expenditures should be reported under the new grant code 796. Most function codes are allowable, but the grant guidance should be referred to when determining the allowable uses of funds. MDE's guidance on what the funds can be used for can be found in the guidance memo located at https://www.michigan.gov/documents/mde/ESSER_guidance_688430_7.pdf

Summer Food Service Program

The school year ended with many LEAs experiencing changes to their food service distribution programs. With those changes in mind, we would like to encourage districts to make sure they have all the documentation in place to have successful administrative reviews. All new SFSP sponsors will be subject to a review. The focus of the administrative reviews will be on menus, production records, daily meal count sheets, and monthly claims. Keep in mind that the Unanticipated School Closure Summer Food Service Program meals ended June 30, 2020. Subsequent to this date, claims will be related to the Summer Food Service Program.

Special Education Compliance Information

The excess cost requirement testing is being implemented for 2019-20 as a pilot test. This will be completed in fall of 2020. Due to the test being in the pilot phase, any districts that do not meet the requirement will be made aware for informational purposes only, and a formal violation will not be triggered at this time.

Maintenance of Effort includes a test for compliance and a test for eligibility. The compliance testing piece went live on March 17, 2020 for the 2018-19 period, it is anticipated that all 56 ISDs will meet compliance under at least one of the four methods to calculate. The 2020-21 eligibility testing went live on June 1, 2020. These tests are being conducted at the ISD level. It is important for all LEAs to verify they are submitting accurate information to the ISD in order to have accurate data in these calculations.

Starting in fiscal year 2021, the IDEA Flowthrough and Preschool funds will move from a 27-month grant application to 15-month grant application period. Any unspent funds will be carried over to the next grant award. Additionally, there will be no IFERs starting in fiscal year 2021. Final expenditure reports will be done in CMS and final district level expenditure reports will be done in MEGS+. Starting with fiscal year 2022, grant applications will be done in NexSys, the new grants management system. It will contain both grant applications and payments.

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.

The following material misstatements were detected as a result of our audit procedures and corrected by management:

Description	Total Assets	Total Liabilities	Total Fund Balance	Revenues	Expenditures	Change in Fund Balance
To reverse ESSER funds received	\$ (173,003)	\$ -	\$ -	\$ (173,003)	\$ -	\$ (173,003)
To record state aid note interest payable	-	53,300	-	-	53,300	(53,300)
To recognized unearned revenue from prior year	-	(10,966)	-	10,966	-	10,966
To adjust accounts payable balances	2,016,797	2,296,857	-	-	280,060	(280,060)
Other immaterial entries	-	-	(1,044)	78	(966)	1,044
Total auditor entries	<u>\$ 1,843,794</u>	<u>\$ 2,339,191</u>	<u>\$ (1,044)</u>	<u>\$ (161,959)</u>	<u>\$ 332,394</u>	<u>\$ (494,353)</u>

Management has determined that the effects of the uncorrected misstatements attached are immaterial both individually and, in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Description	Over (Under) Stated						Change in Fund Balance
	Total Assets	Total Liabilities	Total Fund Balance	Beginning Fund Balance	Revenues	Expenditures	
General Fund							
Prepaid balances maintained during the year, however, unknown what they relate to.	\$ 91,190	\$ -	\$ 91,190	\$ -	\$ -	\$ (91,190)	\$ 91,190
GSRP revenue unearned in prior year should have been recognized	-	-	-	(126,283)	126,283	-	126,283
Accumulation of prior year PAJEs	-	-	-	34,221	-	34,221	(34,221)
Total general fund	<u>91,190</u>	<u>-</u>	<u>91,190</u>	<u>(92,062)</u>	<u>126,283</u>	<u>(56,969)</u>	<u>183,252</u>
Nonmajor Governmental Funds							
Accumulation of prior year PAJEs	-	-	-	29,430	-	29,430	(29,430)
	<u>\$ 91,190</u>	<u>\$ -</u>	<u>\$ 91,190</u>	<u>\$ (62,632)</u>	<u>\$ 126,283</u>	<u>\$ (27,539)</u>	<u>\$ 153,822</u>

The aggregate differences noted above are also reflected in the Statement of Net Position and Statement of Activities.

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 such 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

Our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2020, the School District adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are 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 Guidance; and the Schedule of Findings and Questioned Costs Responses. 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 pension contributions, schedule of the school district’s proportionate share of the net OPEB liability, schedule of the school district’s OPEB 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. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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 Ypsilanti Community Schools as of and for the year ended June 30, 2020, we considered the School District'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 several matters for management's consideration that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated October 16, 2020, on the financial statements of Ypsilanti Community Schools. Our comments and recommendations regarding those matters are:

Outstanding Checks

During our review of cash and related reconciliations, we noted several long outstanding checks included in the reconciliations. The State of Michigan requires organizations who have unclaimed property to remit and file unclaimed property reports annually with the State Treasurer. The period of abandonment for these items varies from one to three years and begins on the date of the last contact with the payee, which in most cases is the date the check was issued. The most common check types are payments for goods or services (vendor checks) and wages (payroll checks) in which the dormancy period is three and one years, respectively. We recommend that management develop a policy and procedure to ensure that these checks are properly followed up on and submitted to the State of Michigan, if necessary.

Budget and Salary Compensation Transparency Reporting

MCL 388.1618 of the State School Aid Act requires all public schools to post certain financial information on their website. In our review of the School District's website, we noted the following elements were not included:

- Special Revenue Fund budgets - Neither the original and/or subsequent budget revisions
- Summary of district expenditures for the most recent fiscal year for which they are available - Most recent information provided is for 2018-2019 fiscal year
- Total salary and a description and cost of each fringe benefit included in the compensation package for the superintendent of the district and for each employee of the district whose salary exceeds \$100,000 - Most recent information provided is for 2017-2018 fiscal year
- Annual amount spent on dues paid to associations - Most recent information provided is for 2017-2018 fiscal year
- Annual amount spent on lobbying or lobbying services - Most recent information provided is for 2017-2018 fiscal year
- Costs incurred for each instance of out-of-state travel by the school administrator of the district that is fully or partially paid for by the district and the details of each of those instances of out-of-state travel, including at least identification of each individual on the trip, destination, and purpose - Most recent information provided is for 2017-2018 fiscal year