Romeo Community Schools

Financial Statements

June 30, 2019

YEO & YEO
CPAs & BUSINESS CONSULTANTS

Table of Contents

YEO & YEO
CPAs & BUSINESS CONSULTANTS
800.968.0010 | yeoandyeo.com

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Romeo Community Schools, as of and for the year ended June 30, 2019, 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 Romeo Community Schools, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, 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 Romeo Community Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes 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 17, 2019 on our consideration of Romeo 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 Romeo 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 Romeo Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 17, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Romeo Community Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2019. Please read this in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Romeo Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund and Facilities Bond Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The format of the annual report is as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements
Government-wide Financial Statements
Fund Financial Statements

Notes to the Financial Statements

Budgetary Information for Major Funds
(Required Supplementary Information)

Other Supplementary Information

Reporting the School District as a Whole – Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the Schools District's Most Significant Funds - Fund Financial Statements

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

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

The School District as a Trustee – Reporting the Schools District's Fiduciary Responsibilities

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2019 and 2018:

TABLE 1	Governmental Activities	
	June 30, 2019	June 30, 2018
Assets		
Current and other assets	$ 43,946,185	$ 66,244,048
Capital assets	113,104,943	91,726,426
Total assets	157,051,128	157,970,474
Deferred Outflows of Resources		
Deferred amount on debt refunding	90,199	194,944
Deferred amount relating to net pension liability	29,521,392	17,577,684
Deferred amount relating to net OPEB liability	4,464,530	1,760,957
Total deferred outflows of resources	34,076,121	19,533,585
Total assets and deferred outflows of resources	191,127,249	177,504,059
Liabilities		
Current liabilities	17,894,451	16,622,507
Long-term liabilities	186,446,495	183,925,268
Total liabilities	204,340,946	200,547,775
Deferred Inflows of Resources		
Deferred amount relating to net pension liability	13,445,087	11,510,848
Deferred amount relating to net OPEB liability	6,013,178	927,061
Total deferred inflows of resources	19,458,265	12,437,909
Total liabilities and deferred inflows of resources	223,799,211	212,985,684
Net Position		
Net investment in capital assets	62,166,409	60,494,791
Restricted	1,588,437	740,593
Unrestricted	(96,426,808)	(96,717,009)
Total net position	$ (32,671,962)	$ (35,481,625)

Table 1 focuses on the net position. The change in net position (see Table 2) of the School District's governmental activities is discussed later in this section. The School District's net position was ($32,671,962) at June 30, 2019. Net investment in capital assets totaling $62,166,409 compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position was unrestricted.

The ($96,426,808) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. Also impacting the net position in fiscal year 2019 and 2018 was the adoption of GASB 68 and 71, which added a net pension liability to government activities. In addition, the adoption of GASB 75 in 2018 added a net OPEB liability. The net pension liability was $91,906,174 and the net OPEB liability was $23,950,367 at June 30, 2019, contributing to a deficit unrestricted net position of ($96,426,808).

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal year 2019 and 2018.

TABLE 2	Governmental Activities	
	June 30, 2019	June 30, 2018
Revenue		
Program revenue:		
Charges for services	$ 1,882,588	$ 1,878,989
Operating grants and contributions	9,702,010	10,155,243
General revenue:		
Property taxes	17,230,310	15,496,230
State aid - unrestricted	34,239,979	33,761,320
Interest and investment earnings	861,450	1,046,845
Other	1,139,944	1,098,120
Total revenue	65,056,281	63,436,747
Functions/Program Expenses		
Instruction	35,938,335	36,047,676
Supporting services	21,434,879	20,877,220
Food services	1,511,851	1,366,878
Community services	982,886	808,249
Interest on long-term debt	2,378,667	2,515,495
Total functions/program expenses	62,246,618	61,615,518
Change in net position	2,809,663	1,821,229
Net position - beginning	(35,481,625)	(37,302,854)
Net position - ending	$ (32,671,962)	$ (35,481,625)

As reported in the statement of activities, the cost of all of our governmental activities this year was $62,246,618. Certain activities were partially funded from those who benefited from the programs of $1,882,588 or by other governments and organizations that subsidized certain programs with grants and contributions of $9,702,010. We paid for the remaining "public benefit" portion of our governmental activities with $17,230,310 in taxes, $34,239,979 in unrestricted State Aid, and $2,001,394 with our other revenues, i.e., interest and general entitlements.

The School District experienced an increase in net position of $2,809,663. The key reason for the change in net position was the increase in revenue in unrestricted State funding and property taxes through an increase in the Foundation Allowance, while added expenses did not increase at the same rate.

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of $32,742,846, which is a decrease of $24,578,994 from last year. The primary reason for the decrease in the combined fund balance is the continued use of bond funding for projects, including the new High School.

In the General Fund, our principal operating fund, the fund balance increased $791,672 during 2019. The change in fund balance is mainly due to conservative spending practices in all areas, especially in Operations & Maintenance and Transportation functions. The availability of Sinking Funds to provide repairs and maintenance to the existing facilities relieves the General Fund of expenditures for those facility needs. The General Fund's fund balance is available to fund costs related to allowable school operating purposes.

Our Special Revenue Funds had a net decrease of $108,583 in fund balance. The Food Services Fund increased its fund balance by $7,929 primarily due to continued increased revenue from student breakfast and lunch sales, as students are offered varied options on both the breakfast and lunch menu. The Community Services Fund, which includes community facility use services and early childhood services, including after school care and preschool programs, as well as, infant and toddler care, had a decrease in fund balance of $117,171 due to the District's planned use of fund balance to provide additional programs and support for preschool and childcare, in an effort to improve the quality and services provided District families. Also, the District transferred $98,161 to the General Fund which is an increase of $49,080 from the amount transferred in the previous year. Service revenues are planned to exceed expenditures in the Community Services Fund in the event of unexpected costs which would cause the School District to use the fund balance.

Combined, the Debt Service Funds showed a fund balance increase of $184,554. This modest decrease is designed to maintain the fund balance at a moderate level.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were revisions made to the 2018-2019 General Fund original budget. Budgeted revenue was amended to adjust for categorical grant adjustments.

Budgeted expenditures decreased primarily due to adjustments in instructional staff to align staffing to student enrollment needs.

There were variances between the final budget and actual amounts. Expenditure variations compared to the budget were due to the reduced expenditures in Operations and Maintenance, and Transportation, spending less that was previously planned for. Total instructional and support services expenditures were lower than the amended budget. This was due to the School District closely monitoring expenditures and budgeting conservatively.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the School District had $113,104,943 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of $21,378,517.

	2019	2018
Land	$ 461,702	$ 461,702
Construction in progress	39,609,419	16,729,054
Buildings and building improvements	98,965,188	96,922,315
Land improvements	8,646,326	8,534,681
Buses and other vehicles	4,641,051	4,901,882
Furniture and equipment	21,627,673	21,347,334
Total capital assets	173,951,359	148,896,968
Less accumulated depreciation	(60,846,416)	(57,170,542)
Net capital assets	$ 113,104,943	$ 91,726,426

This year's net addition is a combination of increased capital assets from construction in progress and building and land improvements, including the completion of the new concessions stand and entrance to the track and football field and surrounding facilities. Construction in progress includes the site work and construction of the new high school and the new high school is scheduled to open in the Fall of 2019.

Debt

At the end of this year, the School District had $65,830,000 in bonds outstanding versus $71,440,000 in the previous year. Those bonds consisted of the following:

	2019	2018
General obligation bonds	$ 65,830,000	$ 71,440,000

The School District's general obligation bond rating is Aa1 by Moody's Investors Service. The School District's rating by Standard & Poor's is A. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt does not approach the state limit.

Other obligations include accrued compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

Our elected officials and administration consider many factors when setting the School District's 2019-2020 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 for the 2020 fiscal year is 10 percent and 90 percent of the February 2020 and October 2019 student counts, respectively. The 2019-2020 budget was adopted in June 2019, based on an estimate of students that will be enrolled in October 2019. Approximately 75 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2019-2020 school year, we anticipate that the fall student count will be significantly above the estimates used in creating the 2019-2020 budget. Once the final student count and related per-pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, however, there is uncertainty at the State level on funding priorities. In planning for the 2019-2020 school year, there was no clear indication from the State what the funding would be for the 2019-2020 school year. For as many as eight years' prior, the State had established their budget before June 30 and gave the District the ability to have stability in one of the two most important factors in estimating revenue for the District, the other being student count. When the District budget was adopted on June 30, 2019, the State's budget was still unknown and there was uncertainty as to what the District Foundation Allowance would be.

The District, as of June 30, 2019, has been in contract negotiations with the REA (teachers), AFSCME (Childcare workers), TPOAM (bus drivers). To date, all contracts have been settled for the remainder of the 2019-20 fiscal year or beyond. The food services and grounds/maintenance bargaining agreements have expired and negotiations should begin sometime late Fall 2019. The financial impact of these contract settlements will be incorporated in future budget amendments.

The District plans to continue the improvement projects related to the 2016 Capital Projects Bond which the voters approved. In the fall of 2017 the District broke ground on an addition to the Engineering and Technology Center to become the new Romeo High School. The Project has been completed for the of 2019 for the start of the school year. The District is preparing to start the renovation of the previous high school that will become the "new" middle school.

Romeo Community Schools has taken up the national challenge; moving to provide all students with more of the advanced skills they need to be successful, productive citizens in college, career, and life. It is called the Academies of Romeo. For the second year the 9th grade students will start the 2019-2020 school year in the 9th Grade Academy. The 10-12th grade students will enter the New High School following their Academy model. Academies allow students to choose a thematic course of study, such as engineering, healthcare, or information technology, and learn in a relevant, hands-on environment with real-world applications. Upon entering 10th grade, students will be a part of one of three career academies; Academy of Business, Entrepreneurship, and Innovation; Academy of Design, Engineering, and Manufacturing; and Academy of Health, Human, and Public Services, these career academies are fully implemented in the 2019-2020 school year.

Contacting the District's Financial Management

The financial report is designed to provide our citizens and taxpayers with a general overview of the School District's finances and to show the School District's accountability for the funds it received. If you have questions about this report or need additional information, contact the Business Office.

BASIC FINANCIAL STATEMENTS

Romeo Community Schools
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash	$ 35,165,179
Accounts receivable	94,821
Due from other governmental units	8,046,541
Inventory	155,365
Investments	69,530
Prepaid items	414,749
Capital assets not being depreciated	40,071,121
Capital assets - net of accumulated depreciation	73,033,822
Total assets	157,051,128
Deferred Outflows of Resources	
Deferred amount on debt refunding	90,199
Deferred amount relating to net pension liability	29,521,392
Deferred amount relating to net OPEB liability	4,464,530
Total deferred outflows of resources	34,076,121
Total assets and deferred outflows of resources	191,127,249

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Statement of Net Position
June 30, 2019

	Governmental Activities
Liabilities	
Accounts payable	$ 5,527,859
Due to other governmental units	907,052
Accrued expenditures	563,714
Accrued salaries payable	4,459,873
Unearned revenue	292,086
Noncurrent liabilities	
Debt due within one year	6,143,867
Debt due in more than one year	70,589,954
Net pension liability	91,906,174
Net OPEB liability	23,950,367
Total liabilities	204,340,946
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	13,445,087
Deferred amount relating to net OPEB liability	6,013,178
Total deferred inflows of resources	19,458,265
Total liabilities and deferred inflows of resources	223,799,211
Net Position	
Net investment in capital assets	62,166,409
Restricted for	
Debt service	481,047
Capital projects	1,107,390
Unrestricted (deficit)	(96,426,808)
Total net position	$ (32,671,962)

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Statement of Activities
For the Year Ended June 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
Instruction	$ 35,938,335	$ 7,707	$ 6,440,360	$ -	$ (29,490,268)
Supporting services	21,434,879	415,071	2,548,503	-	(18,471,305)
Food services	1,511,851	642,831	713,147	-	(155,873)
Community services	982,886	816,979	-	-	(165,907)
Interest on long-term debt	2,378,667	-	-	-	(2,378,667)
Total governmental activities	$ 62,246,618	$ 1,882,588	$ 9,702,010	$ -	(50,662,020)
General revenues					
Property taxes, levied for general purposes					7,142,347
Property taxes, levied for debt service					8,884,373
Property taxes, levied for sinking fund					1,203,590
State aid - unrestricted					34,239,979
Interest and investment earnings					861,450
Gain on sale of capital assets					17,924
Special education taxes					848,741
Other					273,279
Total general revenues					53,471,683
Change in net position					2,809,663
Net position - beginning					(35,481,625)
Net position - ending					$ (32,671,962)

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Facilities Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 3,987,707	$ 24,803,417	$ 6,374,055	$ 35,165,179
Accounts receivable	84,318	-	10,503	94,821
Due from other funds	642,847	-	1,174,611	1,817,458
Due from other governmental units	8,046,541	-	-	8,046,541
Inventory	142,922	-	12,443	155,365
Investments	-	69,530	-	69,530
Prepaid items	412,849	-	1,900	414,749
Total assets	$ 13,317,184	$ 24,872,947	$ 7,573,512	$ 45,763,643
Liabilities				
Accounts payable	$ 633,111	$ 4,365,238	$ 529,510	$ 5,527,859
Due to other funds	1,174,611	591,726	51,121	1,817,458
Due to other governmental units	907,052	-	-	907,052
Accrued expenditures	12,296	-	4,173	16,469
Accrued salaries payable	4,459,873	-	-	4,459,873
Unearned revenue	171,485	-	120,601	292,086
Total liabilities	7,358,428	4,956,964	705,405	13,020,797

Romeo Community Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Facilities Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance				
Non-spendable				
Inventory	$ 142,922	$ -	$ 12,443	$ 155,365
Prepaid items	412,849	-	1,900	414,749
Restricted for				
Food service	-	-	265,580	265,580
Debt service	-	-	972,292	972,292
Capital projects	-	19,915,983	5,144,616	25,060,599
Assigned				
Budgeted use of fund balance in subsequent year	692,596	-	-	692,596
High school store	-	-	11,824	11,824
Community services	-	-	459,452	459,452
Unassigned	4,710,389	-	-	4,710,389
Total fund balance	5,958,756	19,915,983	6,868,107	32,742,846
Total liabilities and fund balance	$ 13,317,184	$ 24,872,947	$ 7,573,512	$ 45,763,643

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

Total fund balances for governmental funds	$ 32,742,846
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	40,071,121
Capital assets - net of accumulated depreciation	73,033,822
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	90,199
Deferred inflows of resources resulting from net pension liability	(13,445,087)
Deferred outflows of resources resulting from net pension liability	29,521,392
Deferred inflows of resources resulting from net OPEB liability	(6,013,178)
Deferred outflows of resources resulting from OPEB liability	4,464,530
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(491,245)
Incurred but not reported benefit claims	(56,000)
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	(91,906,174)
Net OPEB liability	(23,950,367)
Compensated absences	(1,751,879)
Bonds payable	(65,830,000)
Bond premium	(9,151,942)
Net position of governmental activities	$ (32,671,962)

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Facilities Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 7,860,140	$ 536,352	$ 11,574,161	$ 19,970,653
State sources	41,585,197	-	327,455	41,912,652
Federal sources	1,643,645	-	662,666	2,306,311
Interdistrict sources	848,741	-	-	848,741
Total revenues	51,937,723	536,352	12,564,282	65,038,357
Expenditures				
Current				
Education				
Instruction	33,075,993	-	562	33,076,555
Supporting services	17,910,995	-	11,012	17,922,007
Food services	-	-	1,373,665	1,373,665
Community services	12,769	-	894,863	907,632
Intergovernmental payments	7,000	-	-	7,000
Capital outlay	224,305	26,161,394	1,176,022	27,561,721
Debt service				
Principal	-	-	5,610,000	5,610,000
Interest and other expenditures	-	-	3,171,695	3,171,695
Total expenditures	51,231,062	26,161,394	12,237,819	89,630,275
Excess (deficiency) of revenues over expenditures	706,661	(25,625,042)	326,463	(24,591,918)

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Facilities Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ -	$ -	$ 12,924	$ 12,924
Transfers in	98,161	-	13,150	111,311
Transfers out	(13,150)	-	(98,161)	(111,311)
Total other financing sources (uses)	85,011	-	(72,087)	12,924
Net change in fund balance	791,672	(25,625,042)	254,376	(24,578,994)
Fund balance - beginning	5,167,084	45,541,025	6,613,731	57,321,840
Fund balance - ending	$ 5,958,756	$ 19,915,983	$ 6,868,107	$ 32,742,846

Romeo 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, 2019

Net change in fund balances - Total governmental funds	$ (24,578,994)
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	(3,965,491)
Capital outlay	25,376,165
Sale of capital assets (net book value)	(32,157)
Expenses are recorded when incurred in the statement of activities.	
Interest	25,569
Benefit claims	71,000
Compensated absences	(11,816)
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	(11,550,544)
Net change in the deferrals of resources related to the net pension liability	10,009,469
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	3,471,547
Net change in the deferrals of resources related to the net OPEB liability	(2,382,544)
to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	5,610,000
Amortization of premiums	872,204
Amortization of deferred amount on debt refunding	(104,745)
Change in net position of governmental activities	$ 2,809,663

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2019

	Agency Funds
Assets	
Cash	$ 881,140
Liabilities	
Due to agency fund activities	$ 881,140

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Romeo 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.). The school district does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

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

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

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

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

The School District reports the following major governmental funds:

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

Facilities Bond Fund – The Facilities Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for new and updated facilities.

Additionally, the School District reports the following fund types:

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

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

Sinking Fund – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction or repair of school buildings.

Technology Bond Fund – The Technology Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursements of invoices specifically designated for acquiring and installing technology equipment and technology infrastructure in school buildings and other facilities, and remodeling, equipping, and re-equipping school buildings and other facilities with respect to the installation of technology equipment and infrastructure.

Bus Bond Fund – The Bus Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring school buses.

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

Assets, Liabilities and Net Position or Equity

Cash – Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled in an investment, related investment income has been allocated to each fund based on relative participation in the pool.

Investments – Investments are stated at fair value.

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.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2019, 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	4.60000
Sinking Fund	0.64000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

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 Macomb 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 building improvements	20-50 years
Land improvements	20 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-15 years
Software	5 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension 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.

Compensated Absences – The liability for compensated absences reported in the district-wide financial statements, consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. 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 normal retirement 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 governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension 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.

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

> Non-spendable – amounts that are not available in a spendable form.
>
> Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.
>
> Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.
>
> Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education or Superintendent. 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 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 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 Standard
Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

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

Statement No. 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, 2021.

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, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending 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, 2022.

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.

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			
Business	$ 757,960	$ 762,120	$ 4,160
Transfers out	11,110	13,150	2,040
Food Service Fund	1,343,378	1,373,665	30,287
High Store Store Fund	188	204	16
Community Service Fund	869,977	894,928	24,951

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.

Compliance - Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the Facility Bond Fund, Technology Bond Fund, and Bus Bond Fund from the inception of the funds through the current fiscal year:

	Bus Bond	Technology Bond	Facilities Bond
Revenues	$ 2,093,181	$ 4,452,269	$ 68,847,657
Expenditures	528,045	1,980,179	48,931,674
	$ 1,565,136	$ 2,472,090	$ 19,915,983

Note 3 - Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 35,165,179	$ 881,140	$ 36,046,319
Investments	69,530	-	69,530
	$ 35,234,709	$ 881,140	$ 36,115,849

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 32,215,181
Investments in securities, mutual funds, and similar vehicles	3,899,506
Petty cash and cash on hand	1,162
Total	$ 36,115,849

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

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund (MILAF + MAX)	$ 3,829,976	N/A	AAAm	S&P
Dreyfus Government Cash Management	69,530	N/A	AAAm	S&P
	$ 3,899,506			

Interest rate risk – In accordance with its investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 9 months.

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

Concentration of credit risk – The School District's investment policy places no limit on the amount the School District may invest in any one issuer. The School District policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

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, $32,484,242 of the School District's bank balance of $32,734,242 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, 2019:

- Amounts invested in MILAF + MAX of $3,829,976. The MILAF + MAX 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)

- Amounts invested in Dreyfus Government Cash Management of $69,530. The investments are valued at fair market value using quoted market prices. (Level 1 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	$ 461,702	$ -	$ -	$ 461,702
Construction-in-progress	16,729,054	23,622,622	742,257	39,609,419
Total capital assets not being depreciated	17,190,756	23,622,622	742,257	40,071,121
Capital assets being depreciated				
Buildings and building improvements	96,922,315	2,042,873	-	98,965,188
Land improvements	8,534,681	111,645	-	8,646,326
Buses and other vehicles	4,901,882	60,552	321,383	4,641,051
Furniture and equipment	21,347,334	280,730	391	21,627,673
Total capital assets being depreciated	131,706,212	2,495,800	321,774	133,880,238
Less accumulated depreciation for				
Buildings and building improvements	34,530,438	1,801,545	-	36,331,983
Land improvements	3,290,385	334,685	-	3,625,070
Buses and other vehicles	2,495,215	473,295	289,245	2,679,265
Furniture and equipment	16,854,504	1,355,966	372	18,210,098
Total accumulated depreciation	57,170,542	3,965,491	289,617	60,846,416
Net capital assets being depreciated	74,535,670	(1,469,691)	32,157	73,033,822
Net capital assets	$ 91,726,426	$ 22,152,931	$ 774,414	$ 113,104,943

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

Governmental activities	
Instruction	$ 2,461,807
Supporting services	1,333,892
Food services	102,239
Community services	67,553
Total governmental activities	$ 3,965,491

Construction Contracts
The School District has active construction projects as of June 30, 2019. At year end, the School District's commitment with contractors is as follows:

Project	Total Contract	Remaining Construction Commitment at Year End
High School renovations and addition	$ 40,067,896	$ 4,712,868
Concession stand	1,763,300	5,252
Construction and management fees	7,450,130	4,999,413
Total	$ 49,281,326	$ 9,717,533

Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Facility Bond Fund	$ 591,726
General Fund	Nonmajor Governmental Funds	51,121
Nonmajor Governmental Funds	General Fund	1,174,611
		$ 1,817,458

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

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

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
Transfers in			
General Fund	$ -	$ 98,161	$ 98,161
Nonmajor Governmental Funds	13,150	-	13,150
	$ 13,150	$ 98,161	$ 111,311

Transfers in from nonmajor governmental funds to General Fund were from the Community Services Fund and Food Service Fund for overhead cost reimbursement. Transfers in from General Fund to nonmajor governmental funds were for expenditures paid for the Food Service Fund by General Fund.

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, the components of unearned revenue are as follows:

Student meals	$	70,950
Child care		49,651
Grant and categorical aid payments received prior to meeting all eligibility requirements		171,485
Total	$	292,086

Note 8 - Long-Term Debt

The School District issues bonds and 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. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds payable					
General obligation bonds	$ 71,440,000	$ -	$ 5,610,000	$ 65,830,000	$ 5,765,000
Premium on bonds	10,024,146	-	872,204	9,151,942	-
	81,464,146	-	6,482,204	74,981,942	5,765,000
Other liabilities					
Compensated absences	1,740,063	2,865,676	2,853,860	1,751,879	378,867
Total	$ 83,204,209	$ 2,865,676	$ 9,336,064	$ 76,733,821	$ 6,143,867

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

2017 Technology and Bus Bonds - $6,015,000 issued, due in annual installments of $780,000 to $1,415,000 through May 1, 2023; interest at 3.00%	$	4,745,000
2016 Facilities Bonds - $56,390,000 issued, due in annual installments of $500,000 to $3,800,000 through May 1, 2041; interest at 4.00% to 5.00%		54,225,000
2015 Refunding Bonds - $14,260,000 issued, due in annual installments of $2,810,000 through May 1, 2020; interest at 3.00%		2,810,000
Technology Bonds - $11,900,000 issued, due in annual installments of $1,350,000 to $2,375,000 through May 1, 2021; interest at 2.00%		2,725,000
Bus Bonds - $3,100,000 issued, due in annual installments of $325,000 to $500,000 through May 1, 2022; interest at 1.93%		1,325,000
Total general obligation bonded debt	$	65,830,000

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

Year Ending June 30,	Principal	Interest	Total
2020	$ 5,765,000	$ 3,012,972	$ 8,777,972
2021	4,470,000	2,852,000	7,322,000
2022	3,430,000	2,709,000	6,139,000
2023	3,065,000	2,579,950	5,644,950
2024	1,750,000	2,455,000	4,205,000
2025-2029	10,125,000	10,875,000	21,000,000
2030-2034	13,025,000	8,068,750	21,093,750
2035-2039	16,625,000	4,462,500	21,087,500
2040-2041	7,575,000	568,750	8,143,750
Total	$ 65,830,000	$ 37,583,922	$ 103,413,922

Deferred Amount on Refunding
The School District issued bonds in 2005 to advance refund and retire previously issued term bonds. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through the fiscal year.

Deferred amount on refunding activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	$ 194,944	$ -	$ 104,745	$ 90,199

Defeased Debt
In prior years, the School District has defeased certain 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. At year end, $3,290,000 of bonds outstanding are considered defeased.

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property, errors and omissions, and medical claims. The School District is uninsured for workers' compensation claims; however, the School District has stop-loss coverage of $400,000 per occurrence and $5,000,000 of annual aggregate claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

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

	2019	2018
Estimated liability at the beginning of the year	$ 127,000	$ 213,180
Estimated claims incurred including changes in estimates	(58,088)	45,615
Claim payments	(12,912)	(131,795)
Estimated liability end of year	$ 56,000	$ 127,000

Note 10 - Pension Plans and Post Employment Benefits

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

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

The System's financial statements are available 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, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0	17.89
Pension Plus	3.0 - 6.4	16.61
Pension Plus 2	6.2	19.74
Defined Contribution	0.0	13.54

Required contributions to the pension plan from the School District were $8,324,932 for the year ending September 30, 2018.

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

At June 30, 2019, the School District reported a liability of $91,906,174 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The 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, 2018, the School District's proportion was .3057 percent, which was a decrease of .0044 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total pension expense for the School District was $10,184,994. For the year ending June 30, 2019, the School District recognized pension expense of $8,127,143.

At June 30, 2019, 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	$ 426,462	$ (667,866)	$ (241,404)
Changes in assumptions	21,285,394	-	21,285,394
Net difference between projected and actual earnings on pension plan investments	-	(6,284,046)	(6,284,046)
Changes in proportion and differences between district contributions and proportionate share of contributions	84,656	(3,168,205)	(3,083,549)
	21,796,512	(10,120,117)	11,676,395
District contributions subsequent to the measurement date	7,724,880	(3,324,970)	4,399,910
	$ 29,521,392	$ (13,445,087)	$ 16,076,305

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

2019	$	4,648,369
2020		3,303,265
2021		2,611,774
2022		1,112,987
	$	11,676,395

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, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 7.05%
  - Pension Plus Plan: 7.0%
  - Pension Plus 2 Plan : 6.0%
- 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, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2018 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	5.0
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
	100.0%	

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

Rate of Return
For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. 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 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% 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.

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 7.05% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease* 6.05% / 6.0% / 5.0%	Current Single Discount Rate Assumption* 7.05% / 7.0% / 6.0%	1% Increase* 8.05% / 8.0% / 7.0%
$ 120,665,709	$ 91,906,174	$ 68,011,677

**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 11 - 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.

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, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2018.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	6.44%
Personal Healthcare Fund (PHF)	0.00	6.13

Required contributions to the OPEB plan from the School District were $1,955,742 for the year ended September 30, 2018.

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

At June 30, 2019, the School District reported a liability of $23,950,367 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The 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, 2018, the School District's proportion was .3013 percent, which was a decrease of .0084 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total OPEB expense for the School District was $1,031,690. For the year ending June 30, 2019, the School District recognized total OPEB expense of $2,169,972.

At June 30, 2019, 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	$ -	$ (4,457,779)	$ (4,457,779)
Changes in assumptions	2,536,356	-	2,536,356
Net difference between projected and actual earnings on OPEB plan investments	-	(920,470)	(920,470)
Changes in proportion and differences between district contributions and proportionate share of contributions	1,899	(634,929)	(633,030)
	2,538,255	(6,013,178)	(3,474,923)
District contributions subsequent to the measurement date	1,926,275	-	1,926,275
	$ 4,464,530	$ (6,013,178)	$ (1,548,648)

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2019	$ (839,258)
2020	(839,258)
2021	(839,258)
2022	(651,688)
2023	(305,461)
	$ (3,474,923)

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, 2017
- Actuarial Cost Method: Entry Age, Normal

- Wage inflation rate: 2.75%
- Investment Rate of Return: 7.15%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.0% 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.

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, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2018 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	0.0
	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. 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 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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.

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 7.15%, 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 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
$ 28,751,929	$ 23,950,367	$ 19,911,667

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
$ 19,698,913	$ 23,950,367	$ 28,827,653

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 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 12 - 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, 2019.

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by cities, villages, and townships within the County. 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

For the fiscal year ended June 30, 2019, the School District's property tax revenues were reduced by $152,888 under these programs.

There are no significant abatements made by the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Romeo Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Revenues				
Local sources	$ 7,590,890	$ 7,883,818	$ 7,860,140	$ (23,678)
State sources	42,080,267	42,049,287	41,585,197	(464,090)
Federal sources	1,716,149	1,780,915	1,643,645	(137,270)
Interdistrict sources	840,321	848,472	848,741	269
Total revenues	52,227,627	52,562,492	51,937,723	(624,769)
Expenditures				
Instruction				
Basic programs	27,717,070	27,072,828	26,831,671	(241,157)
Added needs	6,037,572	6,387,623	6,244,322	(143,301)
Supporting services				
Pupil	3,150,623	3,186,935	3,147,797	(39,138)
Instructional staff	2,721,751	2,987,776	2,880,528	(107,248)
General administration	600,534	553,047	533,944	(19,103)
School administration	2,757,729	2,830,389	2,757,388	(73,001)
Business	764,169	757,960	762,120	4,160
Operations and maintenance	4,542,558	4,415,877	4,180,093	(235,784)
Pupil transportation services	2,421,174	2,261,280	2,067,248	(194,032)
Central	782,094	841,517	795,597	(45,920)
Athletic activities	748,426	876,675	786,280	(90,395)
Community services	26,704	16,659	12,769	(3,890)
Intergovernmental payments	15,000	7,000	7,000	-
Capital outlay	230,229	575,709	224,305	(351,404)
Total expenditures	52,515,633	52,771,275	51,231,062	(1,540,213)
Excess (deficiency) of revenues over expenditures	(288,006)	(208,783)	706,661	915,444

Romeo Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Over
	Original	Final	Actual	(Under) Budget
Other Financing Sources (Uses)				
Transfers in	$ 100,278	$ 98,161	$ 98,161	$ -
Transfers out	(11,110)	(11,110)	(13,150)	(2,040)
Total other financing sources (uses)	89,168	87,051	85,011	(2,040)
Net change in fund balance	(198,838)	(121,732)	791,672	913,404
Fund balance - beginning	5,167,084	5,167,084	5,167,084	-
Fund balance - ending	$ 4,968,246	$ 5,045,352	$ 5,958,756	$ 913,404

Romeo 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)

		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	School District's proportion of net pension liability (%)	0.30574%	0.31008%	0.31800%	0.33240%	0.33093%					
B.	School District's proportionate share of net pension liability	$ 91,906,174	$ 80,355,630	$ 79,349,119	$ 81,198,019	$ 72,891,862					
C.	School District's covered-employee payroll	$ 25,624,554	$ 25,842,557	$ 26,288,571	$ 27,651,260	$ 28,679,893					
D.	School District's proportionate share of net pension liability as a percentage of its covered- employee payroll	358.66%	310.94%	301.84%	293.65%	254.16%					
E.	Plan fiduciary net position as a percentage of total pension liability	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 2018.
Changes on benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

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

		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	Statutorily required contributions	$ 8,127,143	$ 8,484,009	$ 4,877,622	$ 5,188,389	$ 6,060,184					
B.	Contributions in relation to statutorily required contributions	8,127,143	8,484,009	4,877,622	5,188,389	6,060,184					
C.	Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
D.	School District's covered-employee payroll	$ 26,936,718	$ 25,684,574	$ 25,892,315	$ 26,844,402	$ 28,537,317					
E.	Contributions as a percentage of covered-employee payroll	30.17%	33.03%	18.84%	19.33%	21.24%					

Romeo 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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. School District's proportion of net OPEB liability (%)	0.30130%	0.30970%								
B. School District's proportionate share of net OPEB liability	$ 23,950,367	$ 27,421,914								
C. School District's covered-employee payroll	$ 25,624,554	$ 25,842,557								
D. School District's proportionate share of net OPEB liability as a percentage of its covered- employee payroll	93.47%	106.11%								
E. Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%								

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.
Changes on benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

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

		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	Statutorily required contributions	$ 2,169,972	$ 1,949,180								
B.	Contributions in relation to statutorily required contributions	2,169,972	1,949,180								
C.	Contribution deficiency (excess)	$ -	$ -								
D.	School District's covered-employee payroll	$ 26,936,718	$ 25,684,574								
E.	Contributions as a percentage of covered-employee payroll	8.06%	7.59%								

OTHER SUPPLEMENTARY INFORMATION

Romeo Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds			Debt Service Funds				Capital Project Funds			Total
	Food Services Fund	High School Store Fund	Community Services Fund	Facilities Bond Debt Fund	2015 Refunding Fund	Technology Bond Debt Fund	Bus Bond Debt Fund	Sinking Fund	Technology Bond Fund	Bus Bond Fund	Nonmajor Governmental Funds
Assets											
Cash	$ 343,563	$ 6,183	$ 805	389,138	$ 261,491	$ 199,387	$ 115,841	$ 1,165,267	$ 2,327,244	$1,565,136	$ 6,374,055
Accounts receivable	-	-	10,503	-	-	-	-	-	-	-	10,503
Due from other funds	-	5,641	501,968	1,416	2,124	2,445	450	-	660,567	-	1,174,611
Inventory	8,794	3,649	-	-	-	-	-	-	-	-	12,443
Prepaid items	-	-	1,900	-	-	-	-	-	-	-	1,900
Total assets	$ 352,357	$ 15,473	$ 515,176	$ 390,554	$ 263,615	$ 201,832	$ 116,291	$ 1,165,267	$ 2,987,811	$1,565,136	$ 7,573,512
Liabilities											
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,789	$ 515,721	$ -	$ 529,510
Due to other funds	7,033	-	-	-	-	-	-	44,088	-	-	51,121
Accrued expenditures	-	-	4,173	-	-	-	-	-	-	-	4,173
Unearned revenue	70,950	-	49,651	-	-	-	-	-	-	-	120,601
Total liabilities	77,983	-	53,824	-	-	-	-	57,877	515,721	-	705,405
Fund Balance											
Non-spendable											
Inventory	8,794	3,649	-	-	-	-	-	-	-	-	12,443
Prepaid items	-	-	1,900	-	-	-	-	-	-	-	1,900
Restricted for											
Food service	265,580	-	-	-	-	-	-	-	-	-	265,580
Debt service	-	-	-	390,554	263,615	201,832	116,291	-	-	-	972,292
Capital projects	-	-	-	-	-	-	-	1,107,390	2,472,090	1,565,136	5,144,616
Assigned	-	11,824	459,452	-	-	-	-	-	-	-	471,276
Total fund balance	274,374	15,473	461,352	390,554	263,615	201,832	116,291	1,107,390	2,472,090	1,565,136	6,868,107
Total liabilities and fund balance	$ 352,357	$ 15,473	$ 515,176	$ 390,554	$ 263,615	$ 201,832	$ 116,291	$ 1,165,267	$ 2,987,811	$1,565,136	$ 7,573,512

Romeo Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	Special Revenue Funds			Debt Service Funds				Capital Project Funds			Total
	Food Services Fund	High School Store Fund	Community Services Fund	Facilities Bond Debt Fund	2015 Refunding Fund	Technology Bond Debt Fund	Bus Bond Debt Fund	Sinking Fund	Technology Bond Fund	Bus Bond Fund	Nonmajor Governmental Funds
Revenues											
Local sources	$ 679,589	$ 863	$ 876,415	$ 3,090,225	$ 3,047,195	$ 1,910,920	$ 651,728	$ 1,229,342	$ 56,508	$ 31,376	$ 11,574,161
State sources	50,481	-	-	166,184	-	110,790	-	-	-	-	327,455
Federal sources	662,666	-	-	-	-	-	-	-	-	-	662,666
Total revenues	1,392,736	863	876,415	3,256,409	3,047,195	2,021,710	651,728	1,229,342	56,508	31,376	12,564,282
Expenditures											
Current											
Education											
Instruction	-	-	562	-	-	-	-	-	-	-	562
Supporting services	-	204	-	10,793	-	-	-	15	-	-	11,012
Food services	1,373,665	-	-	-	-	-	-	-	-	-	1,373,665
Community services	-	-	894,863	-	-	-	-	-	-	-	894,863
Capital outlay	24,292	-	-	-	-	-	-	591,606	560,124	-	1,176,022
Debt service											
Principal	-	-	-	500,000	2,805,000	1,765,000	540,000	-	-	-	5,610,000
Interest and other expenditures	-	-	-	2,720,059	172,512	194,364	84,760	-	-	-	3,171,695
Total expenditures	1,397,957	204	895,425	3,230,852	2,977,512	1,959,364	624,760	591,621	560,124	-	12,237,819
Excess (deficiency) of revenues over expenditures	(5,221)	659	(19,010)	25,557	69,683	62,346	26,968	637,721	(503,616)	31,376	326,463
Other Financing Sources (Uses)											
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	12,924	-	12,924
Transfers in	13,150	-	-	-	-	-	-	-	-	-	13,150
Transfers out	-	-	(98,161)	-	-	-	-	-	-	-	(98,161)
						-	-				
Total other financing sources (uses)	13,150	-	(98,161)	-	-	-	-	-	12,924	-	(72,087)
Net change in fund balance	7,929	659	(117,171)	25,557	69,683	62,346	26,968	637,721	(490,692)	31,376	254,376
Fund balance - beginning	266,445	14,814	578,523	364,997	193,932	139,486	89,323	469,669	2,962,782	1,533,760	6,613,731
Fund balance - ending	$ 274,374	$ 15,473	$ 461,352	$ 390,554	$ 263,615	$ 201,832	$ 116,291	$ 1,107,390	$ 2,472,090	$ 1,565,136	$ 6,868,107

Romeo Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2019

2017 School Technology and Bus Bonds
Original amount of issue: $6,015,000
Interest rate: 2.00% to 3.00%

Year Ending June 30,	Principal May 1st	Semi-annual Interest Payments November 1st	Semi-annual Interest Payments May 1st	Total Fiscal Year Requirements
2020	$ 780,000	$ 71,175	$ 71,175	$ 922,350
2021	1,195,000	59,475	59,475	1,313,950
2022	1,355,000	41,550	41,550	1,438,100
2023	1,415,000	21,225	21,225	1,457,450
	$ 4,745,000	$ 193,425	$ 193,425	$ 5,131,850

Romeo Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2019

2016 Facilities Bonds
Original amount of issue: $56,390,000
Interest rate: 4.00% to 5.00%

Year Ending June 30,	Principal May 1st	Semi-annual Interest Payments November 1st	May 1st	Total Fiscal Year Requirements
2020	$ 500,000	$ 1,353,125	$ 1,353,125	$ 3,206,250
2021	1,400,000	1,343,125	1,343,125	4,086,250
2022	1,575,000	1,308,125	1,308,125	4,191,250
2023	1,650,000	1,268,750	1,268,750	4,187,500
2024	1,750,000	1,227,500	1,227,500	4,205,000
2025	1,825,000	1,183,750	1,183,750	4,192,500
2026	1,925,000	1,138,125	1,138,125	4,201,250
2027	2,025,000	1,090,000	1,090,000	4,205,000
2028	2,125,000	1,039,375	1,039,375	4,203,750
2029	2,225,000	986,250	986,250	4,197,500
2030	2,350,000	930,625	930,625	4,211,250
2031	2,475,000	871,875	871,875	4,218,750
2032	2,600,000	810,000	810,000	4,220,000
2033	2,725,000	745,000	745,000	4,215,000
2034	2,875,000	676,875	676,875	4,228,750
2035	3,025,000	605,000	605,000	4,235,000
2036	3,175,000	529,375	529,375	4,233,750
2037	3,325,000	450,000	450,000	4,225,000
2038	3,475,000	366,875	366,875	4,208,750
2039	3,625,000	280,000	280,000	4,185,000
2040	3,775,000	189,375	189,375	4,153,750
2041	3,800,000	95,000	95,000	3,990,000
	$ 54,225,000	$ 18,488,125	$ 18,488,125	$ 91,201,250

Romeo Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2019

2015 Refunding Bonds
Original amount of issue: $14,260,000
Interest rate: 2.00% to 3.00%

Year Ending June 30,	Principal May 1st	Semi-annual Interest Payments November 1st	Semi-annual Interest Payments May 1st	Total Fiscal Year Requirements
2020	$ 2,810,000	$ 42,150	$ 42,150	$ 2,894,300

2013 Technology Bonds
Original amount of issue: $11,900,000
Interest rate: 1.00% to 2.00%

Year Ending June 30,	Principal May 1st	Semi-annual Interest Payments November 1st	Semi-annual Interest Payments May 1st	Total Fiscal Year Requirements
2020	$ 1,350,000	$ 27,250	$ 27,250	$ 1,404,500
2021	1,375,000	13,750	13,750	1,402,500
	$ 2,725,000	$ 41,000	$ 41,000	$ 2,807,000