

Ypsilanti Community Schools

Financial Statements

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Ypsilanti Community Schools
Members of the Board of Education and Administration
June 30, 2023

Members of the Board of Education

Dr. Celeste Hawkins	President
Sharon Lee	Vice President
Maria Goodrich	Secretary
Gillian Gainsley	Treasurer
Yvonne Fields	Trustee
Meredith Schindler	Trustee
M. Jeanice Townsend	Trustee

Administration

Alena Zachery-Ross	Superintendent
Damien Butler	Director of Business & Finance

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ypsilanti Community Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Ypsilanti Community Schools' basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ypsilanti Community Schools, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ypsilanti Community Schools, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ypsilanti Community Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ypsilanti Community Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ypsilanti Community Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ypsilanti Community Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, 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 January 12, 2024 on our consideration of Ypsilanti Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ypsilanti Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ypsilanti Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI
January 12, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ypsilanti Community Schools Management's Discussion and Analysis June 30, 2023

As management of Ypsilanti Community Schools, we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2023.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, supporting services, athletics, food service and community services. The School District has no business-type activities as of and for the year ending June 30, 2023.

Fund Financial Statements

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

Governmental Funds

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

**Ypsilanti Community Schools
Management's Discussion and Analysis
June 30, 2023**

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

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

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

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows exceeded assets and deferred outflows by \$96,930,166 at the close of the most recent fiscal year.

A portion of the School District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, and buses and other vehicles); less any related debt used to acquire those assets that is still outstanding, which is \$(26,908,294) at June 30, 2023. The School District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary Statement of Net Position

	2023	2022
Assets		
Current and other assets	\$ 34,057,909	\$ 27,234,372
Capital assets, net	48,292,928	52,640,801
Total assets	82,350,837	79,875,173
Deferred Outflows of Resources	39,494,718	24,916,792
Liabilities		
Current and other liabilities	9,730,876	12,483,125
Long-term liabilities	185,095,523	163,678,555
Total liabilities	194,826,399	176,161,680
Deferred Inflows of Resources	23,949,322	44,125,038
Net Position		
Net investment in capital assets	(26,908,294)	(36,440,079)
Restricted	7,366,628	4,277,434
Unrestricted	(77,388,500)	(83,332,108)
Total net position	\$ (96,930,166)	\$ (115,494,753)

**Ypsilanti Community Schools
Management's Discussion and Analysis
June 30, 2023**

Total net position as of June 30, 2023 consists of \$7,366,628 restricted for debt service and capital projects. The School District also reported a deficit of \$77,388,500 as unrestricted net position. The negative balance is mainly related to the School District's proportionate share of the MPSERS net pension and other postemployment benefit liabilities and the School District's general obligation bonded debt.

The results of this year's operation for the School District as a whole are reported in the statement of activities, which shows the changes in net position for the fiscal year 2023 compared to the changes in net position for fiscal year 2022.

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues		
Charges for services	\$ 1,126,141	\$ 1,787,270
Operating grants and contributions	42,524,114	42,786,885
General revenues		
Property taxes	30,576,981	28,596,465
Unrestricted state school aid	28,643,957	25,641,047
Insurance recoveries	55,384	-
Other	<u>1,571,242</u>	<u>432,844</u>
Total revenues	<u>104,497,819</u>	<u>99,244,511</u>
Expenses		
Instruction	42,399,252	39,767,050
Supporting services	36,487,904	34,129,932
Food services	3,952,798	3,294,945
Community services	594,878	555,803
Other	<u>2,498,400</u>	<u>2,663,680</u>
Total expenses	<u>85,933,232</u>	<u>80,411,410</u>
Change in net position	18,564,587	18,833,101
Net position - beginning	<u>(115,494,753)</u>	<u>(134,327,854)</u>
Net position - ending	<u>\$ (96,930,166)</u>	<u>\$ (115,494,753)</u>

**Ypsilanti Community Schools
Management's Discussion and Analysis
June 30, 2023**

Governmental Activities

Governmental activities increased the School District's net position by \$18,564,587. Key elements of this increase are as follows:

- Total expense increased from the prior year by \$5,521,822. This was due to the following reasons:
 - The School District had significant turnover and open positions in staffing.
 - The School District received new or increased reimbursable grants.
- Total revenue increased from the prior year by \$5,253,308 primarily due to receiving the additional ESSER, SEEK, and LEAP grants.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$17,012,546. Of this total amount, \$663,589 constitutes nonspendable fund balance to indicate that is not available for new spending because the underlying assets are included in inventory and prepaids, while \$7,591,371 is restricted for debt service, food service, and capital projects, and \$288,060 committed for student and school activities. The remaining component is an unassigned fund balance of \$8,469,526.

The general fund is the chief operating fund of the School District. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$8,607,123 while total fund balance was \$9,270,712. Total fund balance is 12% of total general fund expenditures.

The fund balance of the School District's general fund increased by \$435,906 during the current fiscal year. The increase was primarily due to receiving the State and Federal funding due to the COVID 19 pandemic and the decrease in expenses due to the significant turnover and open positions during the fiscal year. The District is also saving these funds to pay off the district's outstanding operational debt.

At the end of the current fiscal year, the restricted fund balance of the School District's sinking capital projects fund was \$3,553,588, an increase of \$1,191,372 over the prior year.

The other nonmajor governmental funds have a combined fund balance of \$4,188,246, an increase of \$522,902 over the prior year.

**Ypsilanti Community Schools
Management's Discussion and Analysis
June 30, 2023**

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted before the 2022-23 year end. A statement showing the School District's original and final budget amounts compared with amounts actually recorded as revenue and expenditures is provided in the accompanying basic financial statements.

During the year, the budget was amended in a legally permissible manner. Amendments to the original budget were made during the fiscal year as more information became known. For the year ended June 30, 2023, total actual expenditures were less than the total final budget amount by \$7,398,466. This reflects a total variance of 9.5% on \$77,089,660. District has several projects planned into the federal grants. Due to Pandemic, there are delays in delivery and implementation of these projects. Based on the completion status of the projects at the fiscal year end, the expenses are reflecting less than what was adopted as a final budget. Also, general fund actual revenues were less than final amended budget revenue by \$9,218,585.

Capital Asset and Debt Administration

Capital Assets

The School District's investment in capital assets for its governmental activities as of June 30, 2023, amounted to 49,508,972 (net of accumulated depreciation). This investment in capital assets includes land and improvements, constructions in progress, buildings and improvements, furniture and equipment, right to use assets and vehicles.

	Capital Assets (Net of Depreciation)	
	2023	2022
Land	\$ 811,830	\$ 811,830
Land improvements	2,901,896	3,202,607
Buildings and improvements	43,615,855	47,854,750
Furniture and equipment	876,925	673,009
Right to use asset - vehicles	1,216,044	518,064
Vehicles	86,422	98,605
Total capital assets, net	\$ 49,508,972	\$ 53,158,865

For the current year, the School District incurred depreciation expense of \$5,490,743.

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

Long-term Debt

At the end of the June 30, 2023 and 2022, the School District had total bonded debt outstanding of \$57,192,858 and \$73,561,429, respectively. Those bonds consisted of general obligation debt.

During the year ended June 30, 2023, the School District borrowed \$3,612,327 from the Michigan School Loan Revolving Fund to supplement tax revenue in order to service certain bond payments. Additional information on the School District's long-term debt is found in notes to the financial statements.

Ypsilanti Community Schools
Management's Discussion and Analysis
June 30, 2023

Factors Bearing on the School District's Future

The following factors were also considered in preparing the School District's budget for the 2023-24 fiscal year:

- Our elected officials and administration consider many factors when setting the School District's fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count of the 2022-23 fiscal year was 90% of the Fall 2022 count and 10% of Spring Supplemental 2023 count. The 2023-24 budget was built on the same student count for the traditional blended count as well as the same foundation allowance as the budget for the 2022-2023 school year as the state budget was not finalized before the School District needed to adopt the 2023-2024 fiscal year budget.
- Approximately 55% of the general fund revenue is from state aid. Under state law, the school district cannot access additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations.

Since the School District's revenue is heavily dependent on state funding and on the health of the State's School Aid fund, the actual revenue received depends on the State's ability to fund its appropriation to school districts

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Ypsilanti Community Schools
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash	\$ 8,569,325
Accounts receivable	374,341
Due from other governmental units	23,234,610
Inventory	16,429
Prepaid items	647,160
Right to use assets - net of accumulated amortization	1,216,044
Capital assets not being depreciated	811,830
Capital assets - net of accumulated depreciation	47,481,098
Total assets	82,350,837
Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	29,405,994
Deferred amount relating to the net OPEB liability	8,312,336
Deferred amount on debt refunding	1,776,388
Total deferred outflows of resources	39,494,718
Liabilities	
Checks issued in excess of deposits	137,596
Accounts payable	1,603,935
State aid anticipation note payable	2,500,000
Due to other governmental units	892,290
Payroll deductions and withholdings	418,743
Accrued expenditures	349,848
Accrued salaries payable	3,690,939
Unearned revenue	137,525
Long-term liabilities	
Net pension liability	99,651,429
Net OPEB liability	5,931,521
Due within one year	10,154,986
Due in more than one year	69,357,587
Total liabilities	194,826,399

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	10,949,094
Deferred amount relating to the net OPEB liability	<u>13,000,228</u>
 Total deferred inflows of resources	 <u>23,949,322</u>
 Net Position	
Net investment in capital assets	(26,908,294)
Restricted for	
Food service	1,119,266
Debt service	2,693,774
Capital projects	3,553,588
Unrestricted	<u>(77,388,500)</u>
 Total net position	 <u>\$ (96,930,166)</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Statement of Activities
For the Year Ended June 30, 2023

	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	
Functions/Programs			
Governmental activities			
Instruction	\$ 42,399,252	\$ -	\$ 13,162,746
Supporting services	36,487,905	937,047	26,080,303
Food services	3,952,798	189,094	3,281,065
Community services	594,878	-	-
Interest and fiscal charges on long-term debt	<u>2,498,399</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 85,933,232</u>	<u>\$ 1,126,141</u>	<u>\$ 42,524,114</u>
			<u>(42,282,977)</u>
General revenues			
Property taxes, levied for general purposes			12,045,244
Property taxes, levied for debt service			13,952,432
Property taxes, levied for sinking fund			4,579,305
Special education millage			6,675,829
State aid - unrestricted			21,968,128
Interest and investment earnings			764,118
Other			807,124
Insurance recoveries			<u>55,384</u>
Total general revenues			<u>60,847,564</u>
Change in net position			18,564,587
Net position - beginning			<u>(115,494,753)</u>
Net position - ending			<u>\$ (96,930,166)</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	Capital Projects Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 1,496,217	\$ 3,585,020	\$ 3,488,088	\$ 8,569,325
Accounts receivable	283,178	91,163	-	374,341
Due from other governmental units	22,250,994	-	983,616	23,234,610
Inventory	16,429	-	-	16,429
Prepaid items	647,160	-	-	647,160
Total assets	<u>\$ 24,693,978</u>	<u>\$ 3,676,183</u>	<u>\$ 4,471,704</u>	<u>\$ 32,841,865</u>
Liabilities				
Checks issued in excess of deposits	\$ -	\$ -	\$ 137,596	\$ 137,596
Accounts payable	1,357,779	122,595	123,561	1,603,935
State aid anticipation note payable	2,500,000	-	-	2,500,000
Due to other governmental units	890,478	-	1,812	892,290
Payroll deductions and withholdings	418,743	-	-	418,743
Accrued expenditures	125,105	-	-	125,105
Accrued salaries payable	3,670,450	-	20,489	3,690,939
Unearned revenue	137,525	-	-	137,525
Total liabilities	<u>9,100,080</u>	<u>122,595</u>	<u>283,458</u>	<u>9,506,133</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	Capital Projects Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources				
Unavailable revenue				
Grants received	6,323,186	-	-	6,323,186
Fund Balances				
Non-spendable				
Inventory	16,429	-	-	16,429
Prepaid items	647,160	-	-	647,160
Restricted for				
Food service	-	-	1,119,266	1,119,266
Debt service	-	-	2,918,517	2,918,517
Capital projects	-	3,553,588	-	3,553,588
Committed for student and school activities	-	-	288,060	288,060
Unassigned (deficit)	8,607,123	-	(137,597)	8,469,526
Total fund balances	<u>9,270,712</u>	<u>3,553,588</u>	<u>4,188,246</u>	<u>17,012,546</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,693,978</u>	<u>\$ 3,676,183</u>	<u>\$ 4,471,704</u>	<u>\$ 32,841,865</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2023

Total fund balances for governmental funds	\$ 17,012,546
Total net position for governmental activities in the statement of net position is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Other governmental units	6,323,186
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets - net of amortization	1,216,044
Capital assets not being depreciated	811,830
Capital assets - net of accumulated depreciation	47,481,098
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	1,776,388
Deferred outflows of resources resulting from the net pension liability	29,405,994
Deferred outflows of resources resulting from the net OPEB liability	8,312,336
Deferred inflows of resources resulting from the net pension liability	(10,949,094)
Deferred inflows of resources resulting from the net OPEB liability	(13,000,228)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(224,743)
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	(99,651,429)
Net OPEB liability	(5,931,521)
Compensated absences	(102,875)
Bonds payable	(59,636,273)
School loan revolving fund	(18,626,002)
Lease liability	<u>(1,147,423)</u>
Net position of governmental activities	<u>\$ (96,930,166)</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	General Fund	Capital Projects Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 14,382,354	\$ 4,650,277	\$ 14,339,332	\$ 33,371,963
State sources	41,144,882	-	98,580	41,243,462
Federal sources	13,714,005	-	3,182,485	16,896,490
Interdistrict sources	6,772,329	-	-	6,772,329
Total revenues	<u>76,013,570</u>	<u>4,650,277</u>	<u>17,620,397</u>	<u>98,284,244</u>
Expenditures				
Current				
Education				
Instruction	39,753,069	-	-	39,753,069
Supporting services	34,086,842	-	123,813	34,210,655
Food services	-	-	3,706,099	3,706,099
Community services	545,316	-	-	545,316
Facilities acquisition	-	3,458,905	-	3,458,905
Debt service				
Principal	2,549,993	-	14,635,000	17,184,993
Interest and other expenditures	154,440	-	2,244,910	2,399,350
Total expenditures	<u>77,089,660</u>	<u>3,458,905</u>	<u>20,709,822</u>	<u>101,258,387</u>
Excess (deficiency) of revenues over expenditures	<u>(1,076,090)</u>	<u>1,191,372</u>	<u>(3,089,425)</u>	<u>(2,974,143)</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	General Fund	Capital Projects Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources				
Proceeds from school bond loan fund	-	-	3,612,327	3,612,327
Issuance of leases	1,456,612	-	-	1,456,612
Insurance recoveries	55,384	-	-	55,384
	<u>1,511,996</u>	<u>-</u>	<u>3,612,327</u>	<u>5,124,323</u>
Total other financing sources				
Net change in fund balances	435,906	1,191,372	522,902	2,150,180
Fund balances - beginning	<u>8,834,806</u>	<u>2,362,216</u>	<u>3,665,344</u>	<u>14,862,366</u>
Fund balances - ending	<u>\$ 9,270,712</u>	<u>\$ 3,553,588</u>	<u>\$ 4,188,246</u>	<u>\$ 17,012,546</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Net change in fund balances - Total governmental funds	\$ 2,150,180
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	6,158,191
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.	
Amortization and depreciation expense	(5,490,743)
Capital outlay	1,840,850
Expenses are recorded when incurred in the statement of activities.	
Interest	(464,007)
Compensated absences	55,459
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	(31,596,269)
Net change in deferrals of resources related to the net pension liability	29,154,934
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	(1,526,018)
Net change in deferrals of resources related to the net OPEB liability	5,800,998
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balances. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(5,068,939)
Repayments of long-term debt	17,184,993
Amortization of premiums	567,248
Amortization of deferred amount on debt refunding	<u>(202,290)</u>
Change in net position of governmental activities	<u>\$ 18,564,587</u>

See Accompanying Notes to the Financial Statements

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2023

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

The School District reports the following major governmental funds:

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

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

Additionally, the School District reports the following fund types:

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

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

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

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

Assets, Liabilities and Net Position or Equity

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

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

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2023

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2023, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.0000
Commercial personal property	6.0000
Debt Service Funds	
Willow Run	13.0000
Ypsilanti	7.0000
Sinking Fund	2.9023

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

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

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

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

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide 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 service lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2023

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

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

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

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

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

Deferred Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred inflow for leases is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. 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 service lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2023

Fund Balance - In the fund financial statements, governmental funds report fund balance in the following categories:

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

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

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

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Education or by an official or committee to which the Board of Education has granted the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

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

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Upcoming Accounting and Reporting Changes

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2023

understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

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			
Instructional staff	\$ 4,766,645	\$ 6,215,371	\$ 1,448,726
General administration	464,629	725,286	260,657
School administration	2,766,645	2,889,172	122,527
Operations and maintenance	4,809,047	6,363,762	1,554,715
Pupil transportation services	4,156,321	6,008,432	1,852,111
Central	3,074,255	3,581,107	506,852
Athletic activities	310,191	701,581	391,390
Community services	78,452	545,316	466,864

Fund Deficits

The School District has an accumulated fund balance deficit in the Capital Projects Lighting Project Fund of \$137,597 as of June 30, 2023. The General Fund covers any deficit in this fund.

Compliance - Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2023

Note 3 - Deposits and Investments

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

Cash	\$ 8,569,325
Checks issued in excess of deposits	<u>137,596</u>
Total	<u>\$ 8,431,729</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 270,583
Investments in securities, mutual funds, and similar vehicles	8,152,064
Petty cash and cash on hand	<u>9,082</u>
Total	<u>\$ 8,431,729</u>

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio		6 months average	AAAm	Standard & Poor's
Cash Management Class	\$ 1,586,234	6 months average	AAAm	Standard & Poor's
MAX Class	<u>6,565,830</u>	6 months average	AAAm	Standard & Poor's
	<u>\$ 8,152,064</u>			

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

As of June 30, 2023, the net asset value ("NAV") of the School District's investment in MILAF + Portfolio was \$8,152,064. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the School District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of NAV not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The NAV per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

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

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

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2023

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, \$28,613 of the School District's bank balance of \$304,408 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, \$10,772,844 of the School District's investments was exposed to custodial credit risk.

Note 4 - Capital Assets

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

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 811,830	\$ -	\$ -	\$ 811,830
Capital assets being depreciated				
Land improvements	6,014,217	-	-	6,014,217
Buildings and improvements	165,574,393	16,375	-	165,590,768
Furniture and equipment	2,240,320	367,864	-	2,608,184
Vehicles	3,250,605	-	-	3,250,605
Right to use asset - vehicles	832,924	1,456,611	223,314	2,066,221
Total capital assets being depreciated	<u>177,912,459</u>	<u>1,840,850</u>	<u>223,314</u>	<u>179,529,995</u>
Less accumulated depreciation for				
Land improvements	2,811,610	300,711	-	3,112,321
Buildings and improvements	117,719,643	4,255,270	-	121,974,913
Furniture and equipment	1,567,311	163,948	-	1,731,259
Vehicles	3,152,000	12,183	-	3,164,183
Right to use asset - vehicles	314,860	758,631	223,314	850,177
Total accumulated depreciation	<u>125,565,424</u>	<u>5,490,743</u>	<u>223,314</u>	<u>130,832,853</u>
Net capital assets being depreciated	<u>52,347,035</u>	<u>(3,649,893)</u>	<u>-</u>	<u>48,697,142</u>
Net capital assets	<u>\$ 53,158,865</u>	<u>\$ (3,649,893)</u>	<u>\$ -</u>	<u>\$ 49,508,972</u>
Total right to use leased assets				
Right to use assets, net of amortization	\$ 518,064	\$ 697,980	\$ -	\$ 1,216,044
Capital assets				
Assets not being depreciated	811,830	-	-	811,830
Other capital assets, net of depreciation	51,828,971	(4,347,873)	-	47,481,098
Net capital assets	<u>\$ 53,158,865</u>	<u>\$ (3,649,893)</u>	<u>\$ -</u>	<u>\$ 49,508,972</u>

Ypsilanti Community Schools
Notes to the Financial Statements
June 30, 2023

Depreciation and amortization of right to use assets expenses were charged to activities of the School District as follows:

Governmental activities

Instruction	\$ 2,790,686
Supporting services	2,401,606
Food services	260,170
Community services	<u>38,281</u>
Total governmental activities	<u>\$ 5,490,743</u>

Note 5 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue was all composed of grant and categorical aid payments received prior to meeting all eligibility requirements of \$137,525.

Note 6 - Leases

Lease Liability

During the fiscal year, the School District entered into various leases for school buses with durations ranging from two to five years. An initial lease liability was recorded in the amount of \$1,456,611 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$1,147,423. The School District is required to make annual principal and interest payments ranging from \$512,411 to \$726,861. The lease has an interest rate of 5.5%. The value of the right-to-use asset as of the end of the current fiscal year was \$1,216,044 and had accumulated amortization of \$850,177.

	<u>Principal</u>	<u>Interest</u>
Year ending June 30,		
2024	\$ 662,129	\$ 64,732
2025	<u>485,294</u>	<u>27,117</u>
Total	<u>\$ 1,147,423</u>	<u>\$ 91,849</u>

Note 7 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th. The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

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

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$4,800,000</u>	<u>\$2,500,000</u>	<u>\$4,800,000</u>	<u>\$2,500,000</u>

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. For the School Bond Loan Fund, the State may withhold state aid if the School District is in default or apply late charges in an instance of default or fails to appropriately levy debt mills. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

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Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 73,561,429	\$ -	\$ 16,368,571	\$ 57,192,858	\$ 9,392,857
Premium on bonds	3,010,663	-	567,248	2,443,415	-
Total bonds payable	<u>76,572,092</u>	<u>-</u>	<u>16,935,819</u>	<u>59,636,273</u>	<u>9,392,857</u>
Notes from direct borrowings and direct placements					
School Loan Revolving Fund (SLRF)	14,034,693	3,612,327	-	17,647,020	-
Accrued interest - SLRF	449,294	529,688	-	978,982	-
Total notes from direct borrowings and direct placements	<u>14,483,987</u>	<u>4,142,015</u>	<u>-</u>	<u>18,626,002</u>	<u>-</u>
Other liabilities					
Leases	507,233	1,456,612	816,422	1,147,423	662,129
Compensated absences	158,334	54,541	110,000	102,875	100,000
Total other liabilities	<u>665,567</u>	<u>1,511,153</u>	<u>926,422</u>	<u>1,250,298</u>	<u>762,129</u>
Total	<u>\$ 91,721,646</u>	<u>\$ 5,653,168</u>	<u>\$ 17,862,241</u>	<u>\$ 79,512,573</u>	<u>\$ 10,154,986</u>

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

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

\$12,800,000 2015 YCS refunding bonds due in annual installments of \$2,080,000 to \$2,095,000 through year 2026; interest at 3.0% to 5.0%.	\$ 6,265,000
\$10,465,000, 2020 Revenue Bonds payable in annual installments of \$255,000 to \$1,782,144 through the year 2026; interest at 4.0% to 4.63%.	5,547,858
\$33,745,000, 2016 Series A YCS Refunding Bonds payable in annual installments of \$2,230,000 to \$2,645,000 through the year 2032; interest at 2.0% to 5.0%.	22,065,000
\$28,050,000, 2020 Refunding Bonds payable in annual installments of \$1,965,000 to \$3,590,000 through the year 2031; interest at 1.89% to 2.46%.	<u>23,315,000</u>
Total general obligation bonded debt	<u>\$ 57,192,858</u>

The general obligation bonds are payable from the General Fund and Debt Service Funds. As of year end, the funds had a balance of \$9,270,712 and \$2,918,517 respectively to pay this debt. Future debt and interest will be payable from future tax levies.

Year Ending June 30,	Bonds	
	Principal	Interest
2024	\$ 9,392,857	\$ 1,876,214
2025	9,552,857	1,582,037
2026	9,647,144	1,344,583
2027	6,190,000	1,067,896
2028	6,045,000	865,440
2029 - 2032	<u>16,365,000</u>	<u>1,591,118</u>
Total	<u>\$ 57,192,858</u>	<u>\$ 8,327,288</u>

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State School Loan Revolving Fund

The State School Loan Revolving Fund consists of a direct borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Loan Revolving Fund. The School District had an outstanding balance at year end of \$18,626,002. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer. The principal must be repaid no later than May 1, 2037.

Compensated Absences

Accrued compensated absences at year end, consist of \$102,875 of vacation hours earned and vested.

Deferred Amount on Refunding

The advance refundings recorded in prior years resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,776,388. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2032.

Note 9 - Risk Management

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

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan, covering property, casualty, and worker disability

claims; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Pension Plan

Plan Description

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

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

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

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

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Benefits Provided

Benefit provisions of the 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, 2021, valuation will be amortized over an 17-year period beginning Oct. 1, 2021 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2022.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.14%
Member Investment Plan	3.0 - 7.0%	20.14%
Pension Plus	3.0 - 6.4%	17.22%
Pension Plus 2	6.2%	19.93%
Defined Contribution	0.0%	13.73%

Required contributions to the pension plan from the School District were \$9,018,447 for the year ending September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$99,651,429 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the School District's proportion was 0.2650 percent, which was an decrease of 0.0225 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized pension expense of \$11,383,494 for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total pension contribution expense of \$10,109,227.

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At June 30, 2023, 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	\$ 996,862	\$ (222,810)	\$ 774,052
Changes of assumptions	17,123,686	-	17,123,686
Net difference between projected and actual earnings on pension plan investments	233,683	-	233,683
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>1,590,269</u>	<u>(5,831,046)</u>	<u>(4,240,777)</u>
Total to be recognized in future	19,944,500	(6,053,856)	13,890,644
School District contributions subsequent to the measurement date	<u>9,461,494</u>	<u>(4,895,238)</u>	<u>4,566,256</u>
Total	<u>\$29,405,994</u>	<u>\$(10,949,094)</u>	<u>\$ 18,456,900</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. The School District will offset the contribution expense in the year ended June 30, 2024 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
Year	Amount
2023	\$ 4,327,290
2024	2,648,732
2025	1,804,441
2026	<u>5,110,181</u>
	<u>\$ 13,890,644</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.00% net of investment expenses
 - Pension Plus Plan: 6.00% net of investment expenses
 - Pension Plus 2 Plan: 6.00% net of investment expenses
- 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: RP-2014 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, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.3922 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive 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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	25.0 %	5.1%
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.2% inflation.*

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Rate of Return

For the plan year ended September 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% 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 6.00% (6.00% for the Pension plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension

liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease * 5.00%	Current Single Discount Rate Assumption *	1% Increase * 7.00%
\$ 131,502,865	\$ 99,651,429	\$ 73,404,410

**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 (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

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

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

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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 with 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

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(overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over an 17-year period beginning Oct. 1, 2021 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2022.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.23%

Required contributions to the OPEB plan from the School District were \$2,133,194 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$5,931,521 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the School District's proportion was 0.2800 percent, which was a decrease of 0.0086 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized OPEB expense of \$(2,214,709) for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total OPEB contribution expense of \$2,141,758.

At June 30, 2023, 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	\$ -	\$(11,617,577)	\$(11,617,577)
Changes of assumptions	5,286,955	(430,494)	4,856,461
Net difference between projected and actual earnings on OPEB plan investments	463,595	-	463,595
Changes in proportion and differences between the School District contributions and proportionate share of contributions	698,863	(952,157)	(253,294)
Total to be recognized in future	6,449,413	(13,000,228)	(6,550,815)
School District contributions subsequent to the measurement date	1,862,923	-	1,862,923
Total	<u>\$ 8,312,336</u>	<u>\$(13,000,228)</u>	<u>\$(4,687,892)</u>

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, 2024. Other amounts reported as deferred outflows of resources and deferred

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inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2023	\$ (2,156,875)
2024	(1,964,660)
2025	(1,846,095)
2026	(343,640)
2027	(218,776)
Thereafter	(20,769)
Total	\$ (6,550,815)

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, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- 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: RP-2014 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 Assumption: 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.

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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, 2022, is based on the results of an actuarial valuation date of September 30, 2021, 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 is 6.2250.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive 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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	25.0 %	5.1%
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.2% inflation.*

Rate of Return

For the plan year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (4.99)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. 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

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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 6.00%, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 9,949,556	\$ 5,931,521	\$ 2,547,837

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
\$ 2,483,837	\$ 5,931,521	\$ 9,801,614

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2022 MPSERS Annual Comprehensive Financial Report, 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, 2023.

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 the various municipalities. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

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

REQUIRED SUPPLEMENTARY INFORMATION

Ypsilanti Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 13,986,268	\$ 13,350,708	\$ 14,382,354	\$ 1,031,646
State sources	33,528,941	33,382,147	41,144,882	7,762,735
Federal sources	29,610,350	30,236,082	13,714,005	(16,522,077)
Interdistrict sources	7,591,769	8,263,218	6,772,329	(1,490,889)
Total revenues	<u>84,717,328</u>	<u>85,232,155</u>	<u>76,013,570</u>	<u>(9,218,585)</u>
Expenditures				
Instruction				
Basic programs	30,620,567	34,382,147	31,239,962	(3,142,185)
Added needs	11,141,949	11,364,994	8,513,107	(2,851,887)
Supporting services				
Pupil	8,366,295	9,480,460	6,745,623	(2,734,837)
Instructional staff	5,606,442	4,766,645	6,215,371	1,448,726
General administration	702,064	464,629	725,286	260,657
School administration	2,719,699	2,766,645	2,889,172	122,527
Business	761,718	3,126,730	856,508	(2,270,222)
Operations and maintenance	6,602,879	4,809,047	6,363,762	1,554,715
Pupil transportation services	4,836,490	4,156,321	6,008,432	1,852,111
Central	6,061,227	3,074,255	3,581,107	506,852
Athletic activities	709,861	310,191	701,581	391,390
Community services	560,519	78,452	545,316	466,864
Debt service				
Principal	5,105,425	5,553,170	2,549,993	(3,003,177)
Interest and fiscal charges	154,440	154,440	154,440	-
Total expenditures	<u>83,949,575</u>	<u>84,488,126</u>	<u>77,089,660</u>	<u>(7,398,466)</u>
Excess (deficiency) of revenues over expenditures	<u>767,753</u>	<u>744,029</u>	<u>(1,076,090)</u>	<u>(1,820,119)</u>

Ypsilanti Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other Financing Sources (Uses)				
Issuance of leases	-	-	1,456,612	1,456,612
Insurance recoveries	-	-	55,384	55,384
Transfers out	(744,029)	(744,029)	-	(744,029)
Total other financing sources (uses)	(744,029)	(744,029)	1,511,996	2,256,025
Net change in fund balances	23,724	-	435,906	435,906
Fund balances - beginning	8,834,806	8,834,806	8,834,806	-
Fund balances - ending	<u>\$ 8,858,530</u>	<u>\$ 8,834,806</u>	<u>\$ 9,270,712</u>	<u>\$ 435,906</u>

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School District's proportion of net pension liability (%)	0.2650%	0.2875%	0.2829%	0.2752%	0.2705%	0.2694%	0.2718%	0.2836%	0.2673%	
B. School District's proportionate share of net pension liability	\$ 99,651,429	\$ 68,055,160	\$ 97,164,893	\$ 91,128,278	\$ 81,331,496	\$ 69,813,122	\$ 67,821,267	\$ 69,278,931	\$ 58,879,966	
C. School District's covered payroll	\$ 27,771,186	\$ 26,628,600	\$ 26,233,396	\$ 24,733,759	\$ 23,432,410	\$ 22,767,911	\$ 22,743,743	\$ 25,191,176	\$ 28,132,146	
D. School District's proportionate share of net pension liability as a percentage of its covered payroll	358.83%	255.57%	370.39%	368.44%	347.09%	306.63%	298.20%	275.01%	209.30%	
E. Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

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

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 10,109,227	\$ 9,105,180	\$ 8,286,782	\$ 7,754,651	\$ 7,243,676	\$ 7,382,158	\$ 6,305,977	\$ 6,298,756	\$ 5,333,181	
B. Contributions in relation to statutorily required contributions	<u>10,109,227</u>	<u>9,105,180</u>	<u>8,286,782</u>	<u>7,754,651</u>	<u>7,243,676</u>	<u>7,382,158</u>	<u>6,305,977</u>	<u>6,298,756</u>	<u>5,333,181</u>	
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
D. School District's covered payroll	\$ 28,024,816	\$ 28,108,379	\$ 24,640,202	\$ 26,282,111	\$ 24,403,657	\$ 23,260,441	\$ 22,724,710	\$ 22,777,776	\$ 23,937,241	
E. Contributions as a percentage of covered payroll	36.07%	32.39%	33.63%	29.51%	29.68%	31.74%	27.75%	27.65%	22.28%	

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School District's proportion of the net OPEB liability (%)	0.2800%	0.2886%	0.2920%	0.2807%	0.2736%	0.2701%				
B. School District's proportionate share of the net OPEB liability	\$ 5,931,521	\$ 4,405,503	\$ 15,645,792	\$ 20,146,919	\$ 21,746,427	\$ 23,916,493				
C. School District's covered payroll	\$ 27,771,186	\$ 26,628,600	\$ 26,233,396	\$ 24,733,759	\$ 23,432,410	\$ 22,767,911				
D. School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.36%	16.54%	59.64%	81.46%	92.80%	105.04%				
E. Plan fiduciary net position as a percentage of total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%				

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

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

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 2,141,758	\$ 2,175,049	\$ 1,979,012	\$ 2,039,770	\$ 1,890,235	\$ 1,717,090				
B. Contributions in relation to statutorily required contributions	<u>2,141,758</u>	<u>2,175,049</u>	<u>1,979,012</u>	<u>2,039,770</u>	<u>1,890,235</u>	<u>1,717,090</u>				
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
D. School District's covered payroll	\$ 28,024,816	\$ 28,108,379	\$ 24,640,202	\$ 26,282,111	\$ 24,403,657	\$ 23,260,441				
E. Contributions as a percentage of covered payroll	7.64%	7.74%	8.03%	7.76%	7.75%	7.38%				

OTHER SUPPLEMENTARY INFORMATION

**Ypsilanti Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023**

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Student/School Activity Fund	Ypsilanti	Willow Run	Lighting Project	
Assets						
Cash	\$ 487,916	\$ 288,194	\$ 1,961,726	\$ 750,252	\$ -	\$ 3,488,088
Due from other governmental units	<u>776,087</u>	<u>-</u>	<u>117,929</u>	<u>89,600</u>	<u>-</u>	<u>983,616</u>
Total assets	<u>\$ 1,264,003</u>	<u>\$ 288,194</u>	<u>\$ 2,079,655</u>	<u>\$ 839,852</u>	<u>\$ -</u>	<u>\$ 4,471,704</u>
Liabilities						
Checks issued in excess of deposits	\$ -	\$ -	\$ -	\$ -	\$ 137,596	\$ 137,596
Accounts payable	122,436	134	-	990	1	123,561
Due to other governmental units	1,812	-	-	-	-	1,812
Accrued salaries payable	<u>20,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,489</u>
Total liabilities	<u>144,737</u>	<u>134</u>	<u>-</u>	<u>990</u>	<u>137,597</u>	<u>283,458</u>
Fund Balances						
Restricted for						
Food service	1,119,266	-	-	-	-	1,119,266
Debt service	-	-	2,079,655	838,862	-	2,918,517
Committed for student and school activities	-	288,060	-	-	-	288,060
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137,597)</u>	<u>(137,597)</u>
Total fund balances (deficit)	<u>1,119,266</u>	<u>288,060</u>	<u>2,079,655</u>	<u>838,862</u>	<u>(137,597)</u>	<u>4,188,246</u>
Total liabilities and fund balances	<u>\$ 1,264,003</u>	<u>\$ 288,194</u>	<u>\$ 2,079,655</u>	<u>\$ 839,852</u>	<u>\$ -</u>	<u>\$ 4,471,704</u>

Ypsilanti Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Student/School Activity Fund	Ypsilanti	Willow Run	Lighting Project	
Revenues						
Local sources	\$ 216,984	\$ 126,873	\$ 7,800,621	\$ 6,194,147	\$ 707	\$ 14,339,332
State sources	98,580	-	-	-	-	98,580
Federal sources	3,182,485	-	-	-	-	3,182,485
Total revenues	<u>3,498,049</u>	<u>126,873</u>	<u>7,800,621</u>	<u>6,194,147</u>	<u>707</u>	<u>17,620,397</u>
Expenditures						
Current						
Education						
Supporting services	-	123,813	-	-	-	123,813
Food services	3,706,099	-	-	-	-	3,706,099
Debt service						
Principal	-	-	5,530,000	9,105,000	-	14,635,000
Interest and other expenditures	-	-	1,512,883	732,027	-	2,244,910
Total expenditures	<u>3,706,099</u>	<u>123,813</u>	<u>7,042,883</u>	<u>9,837,027</u>	<u>-</u>	<u>20,709,822</u>
Excess (deficiency) of revenues over expenditures	(208,050)	3,060	757,738	(3,642,880)	707	(3,089,425)
Other Financing Uses						
Proceeds from school bond loan fund	-	-	-	3,612,327	-	3,612,327
Net change in fund balance	(208,050)	3,060	757,738	(30,553)	707	522,902
Fund balances - beginning	<u>1,327,316</u>	<u>285,000</u>	<u>1,321,917</u>	<u>869,415</u>	<u>(138,304)</u>	<u>3,665,344</u>
Fund balances - ending	<u>\$ 1,119,266</u>	<u>\$ 288,060</u>	<u>\$ 2,079,655</u>	<u>\$ 838,862</u>	<u>\$ (137,597)</u>	<u>\$ 4,188,246</u>