

# Ypsilanti Community Schools

## Financial Statements

June 30, 2022



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**Ypsilanti Community Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2022**

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**Members of the Board of Education**

Dr. Celeste Hawkins	President
Sharon Lee	Vice President
Meredith Schindler	Secretary
Gillian Gainsley	Treasurer
Yvonne Fields	Trustee
Ellen Champagne	Trustee
Maria Goodrich	Trustee

**Administration**

Alena Zachery-Ross	Superintendent
Priya Nayak	Director of Business & Finance



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## 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, 2022, 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, 2022, 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 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.

### **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 October 18, 2022 on our consideration of Ypsilanti Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ypsilanti Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ypsilanti Community Schools' internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Ann Arbor, MI  
October 18, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Ypsilanti Community Schools**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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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, 2022.

**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, 2022.

**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, 2022**

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 \$115,494,753 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 \$(36,440,079) at June 30, 2022. 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**

	2022	2021
<b>Assets</b>		
Current and other assets	\$ 27,234,372	\$ 24,389,464
Capital assets, net	52,640,801	57,462,467
Total assets	79,875,173	81,851,931
<b>Deferred Outflows of Resources</b>	24,916,792	33,527,428
<b>Liabilities</b>		
Current and other liabilities	12,483,125	14,172,904
Long-term liabilities	163,678,555	219,169,642
Total liabilities	176,161,680	233,342,546
<b>Deferred Inflows of Resources</b>	44,125,038	16,364,667
<b>Net Position</b>		
Net investment in capital assets	(36,440,079)	(46,382,380)
Restricted	4,277,434	2,214,013
Unrestricted	(83,332,108)	(90,159,487)
Total net position	\$ (115,494,753)	\$ (134,327,854)

**Ypsilanti Community Schools  
Management's Discussion and Analysis  
June 30, 2022**

Total net position as of June 30, 2022 consists of \$4,277,434 restricted for debt service and capital projects. The School District also reported a deficit of \$83,332,108 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 2022 compared to the changes in net position for fiscal year 2021.

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,787,270	\$ 1,569,814
Operating grants and contributions	42,786,885	25,700,520
General revenues		
Property taxes	28,596,465	27,089,192
Unrestricted state school aid	25,641,047	26,212,660
Gain on sale of capital assets	-	123,787
Insurance recoveries	-	1,381,282
Other	<u>432,844</u>	<u>257,751</u>
Total revenues	<u>99,244,511</u>	<u>82,335,006</u>
<b>Expenses</b>		
Instruction	39,767,050	38,452,665
Supporting services	34,129,932	32,368,900
Food services	3,294,945	3,007,723
Community services	555,803	649,258
Other	<u>2,663,680</u>	<u>2,789,675</u>
Total expenses	<u>80,411,410</u>	<u>77,268,221</u>
<b>Change in net position</b>	18,833,101	5,066,785
Net position - beginning, as restated	<u>(134,327,854)</u>	<u>(139,394,639)</u>
<b>Net position - ending</b>	<u>\$ (115,494,753)</u>	<u>\$ (134,327,854)</u>

**Ypsilanti Community Schools  
Management's Discussion and Analysis  
June 30, 2022**

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**Governmental Activities**

Governmental activities increased the School District's net position by \$18,833,101. Key elements of this increase are as follows:

- Total expense increased from the prior year by \$3,143,189. This was due to the following reasons:
  - Due to COVID, 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 \$16,909,505 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 \$14,862,366. Of this total amount, \$126,659 constitutes nonspendable fund balance to indicate that is not available for new spending because the underlying assets are included in inventory and prepaids, while \$5,880,864 is restricted for debt service, food service, and capital projects, and \$285,000 committed for student and school activities. The remaining component is an unassigned fund balance of \$8,569,843.

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 \$8,708,147 while total fund balance was \$8,834,806. Total fund balance is 11.6% of total general fund expenditures.

The fund balance of the School District's general fund increased by \$1,979,691 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 Willow Run debt service fund was \$869,415, an increase of \$219,382 over the prior year.

The other nonmajor governmental funds have a combined fund balance of \$5,158,145, an increase of \$2,023,818 over the prior year.

**Ypsilanti Community Schools  
Management's Discussion and Analysis  
June 30, 2022**

**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 2021-22 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, 2022, total actual expenditures were less than the total final budget amount by \$7,042,489. This reflects a total variance of 9.3% on \$76,133,617. 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 \$6,420,481.

**Capital Asset and Debt Administration**

**Capital Assets**

The School District's investment in capital assets for its governmental activities as of June 30, 2022, amounted to \$52,640,801 (net of accumulated depreciation). This investment in capital assets includes land and improvements, constructions in progress, buildings and improvements, furniture and equipment, and vehicles.

	Capital Assets (Net of Depreciation)	
	2022	2021
Land	\$ 811,830	\$ 811,830
Land improvements	3,202,607	3,499,013
Buildings and improvements	47,854,750	52,299,411
Furniture and equipment	673,009	795,788
Vehicles	98,605	56,425
Total capital assets, net	\$ 52,640,801	\$ 57,462,467

For the current year, the School District incurred depreciation expense of \$4,928,009.

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, 2022 and 2021, the School District had total bonded debt outstanding of \$73,561,429 and \$89,764,167, respectively. Those bonds consisted of general obligation debt.

During the year ended June 30, 2022, the School District borrowed \$4,639,618 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, 2022**

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**Factors Bearing on the School District's Future**

The following factors were also considered in preparing the School District's budget for the 2022-23 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 2021-22 fiscal year was 90% of the Fall 2021 count and 10% of Spring Supplemental 2021 count. The 2022-23 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 2021-2022 school year as the state budget was not finalized before the School District needed to adopt the 2022-2023 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

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**Ypsilanti Community Schools**  
**Statement of Net Position**  
**June 30, 2022**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 10,432,158
Accounts receivable	49,512
Due from other governmental units	16,626,043
Inventory	10,429
Prepaid items	116,230
Capital assets not being depreciated	811,830
Capital assets - net of accumulated depreciation	51,828,971
Total assets	79,875,173
<b>Deferred Outflows of Resources</b>	
Deferred amount relating to the net pension liability	16,387,343
Deferred amount relating to the net OPEB liability	6,550,771
Deferred amount on debt refunding	1,978,678
Total deferred outflows of resources	24,916,792
<b>Liabilities</b>	
Checks issued in excess of deposits	138,303
Accounts payable	1,828,707
State aid anticipation note payable	4,800,000
Due to other governmental units	721,528
Payroll deductions and withholdings	388,093
Accrued expenditures	367,304
Accrued salaries payable	3,796,759
Unearned revenue	442,431
Long-term liabilities	
Net pension liability	68,055,160
Net OPEB liability	4,405,503
Due within one year	16,472,050
Due in more than one year	74,745,842
Total liabilities	176,161,680

See Accompanying Notes to the Financial Statements



**Ypsilanti Community Schools**  
**Statement of Net Position**  
**June 30, 2022**

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	<u>Governmental Activities</u>
<b>Deferred Inflows of Resources</b>	
Deferred amount relating to the net pension liability	27,085,377
Deferred amount relating to the net OPEB liability	<u>17,039,661</u>
Total deferred inflows of resources	<u>44,125,038</u>
<b>Net Position</b>	
Net investment in capital assets	(36,440,079)
Restricted for	
Debt service	1,915,218
Capital projects	2,362,216
Unrestricted	<u>(83,332,108)</u>
Total net position	<u>\$ (115,494,753)</u>

See Accompanying Notes to the Financial Statements

**Ypsilanti Community Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 39,767,050	\$ -	\$ 17,992,328	\$ (21,774,722)
Supporting services	34,129,932	1,448,391	21,526,241	(11,155,300)
Food services	3,294,945	338,879	3,268,316	312,250
Community services	555,803	-	-	(555,803)
Interest and fiscal charges on long-term debt	2,663,680	-	-	(2,663,680)
Total governmental activities	\$ 80,411,410	\$ 1,787,270	\$ 42,786,885	(35,837,255)
General revenues				
Property taxes, levied for general purposes				11,291,420
Property taxes, levied for debt service				13,010,770
Property taxes, levied for sinking fund				4,294,275
Special education millage				6,350,118
State aid - unrestricted				19,290,929
Interest and investment earnings				66,222
Other				366,622
Total general revenues				54,670,356
Change in net position				18,833,101
Net position - beginning				(134,327,854)
Net position - ending				\$(115,494,753)

See Accompanying Notes to the Financial Statements

**Ypsilanti Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2022**

	General Fund	Debt Service Fund Willow Run	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 4,498,727	\$ 869,415	\$ 5,064,016	\$ 10,432,158
Accounts receivable	49,335	-	177	49,512
Due from other governmental units	16,112,534	-	513,509	16,626,043
Inventory	10,429	-	-	10,429
Prepaid items	116,230	-	-	116,230
Total assets	<u>\$ 20,787,255</u>	<u>\$ 869,415</u>	<u>\$ 5,577,702</u>	<u>\$ 27,234,372</u>
<b>Liabilities</b>				
Checks issued in excess of deposits	\$ -	\$ -	\$ 138,303	\$ 138,303
Accounts payable	1,724,414	-	104,293	1,828,707
State aid anticipation note payable	4,800,000	-	-	4,800,000
Due to other governmental units	719,716	-	1,812	721,528
Payroll deductions and withholdings	388,093	-	-	388,093
Accrued expenditures	91,190	-	-	91,190
Accrued salaries payable	3,776,270	-	20,489	3,796,759
Unearned revenue	287,771	-	154,660	442,431
Total liabilities	<u>11,787,454</u>	<u>-</u>	<u>419,557</u>	<u>12,207,011</u>

See Accompanying Notes to the Financial Statements

**Ypsilanti Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2022**

	General Fund	Debt Service Fund Willow Run	Nonmajor Governmental Funds	Total Governmental Funds
<b>Deferred Inflows of Resources</b>				
Unavailable revenue				
Grants received	164,995	-	-	164,995
<b>Fund Balances</b>				
Non-spendable				
Inventory	10,429	-	-	10,429
Prepaid items	116,230	-	-	116,230
Restricted for				
Food service	-	-	1,327,316	1,327,316
Debt service	-	869,415	1,321,917	2,191,332
Capital projects	-	-	2,362,216	2,362,216
Committed for student and school activities	-	-	285,000	285,000
Unassigned	8,708,147	-	(138,304)	8,569,843
Total fund balances	<u>8,834,806</u>	<u>869,415</u>	<u>5,158,145</u>	<u>14,862,366</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,787,255</u>	<u>\$ 869,415</u>	<u>\$ 5,577,702</u>	<u>\$ 27,234,372</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, 2022**

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<b>Total fund balances for governmental funds</b>	<b>\$ 14,862,366</b>
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	164,995
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	811,830
Capital assets - net of accumulated depreciation	51,828,971
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	1,978,678
Deferred outflows of resources resulting from the net pension liability	16,387,343
Deferred outflows of resources resulting from the net OPEB liability	6,550,771
Deferred inflows of resources resulting from the net pension liability	(27,085,377)
Deferred inflows of resources resulting from the net OPEB liability	(17,039,661)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(276,114)
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	(68,055,160)
Net OPEB liability	(4,405,503)
Compensated absences	(158,334)
Bonds payable	(76,572,092)
School loan revolving fund	(14,483,987)
Lease liability	<u>(3,479)</u>
<b>Net position of governmental activities</b>	<b><u>\$(115,494,753)</u></b>

**Ypsilanti Community Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2022**

	General Fund	Debt Service Fund Willow Run	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 13,119,422	\$ 5,735,825	\$ 11,899,573	\$ 30,754,820
State sources	33,465,582	-	165,699	33,631,281
Federal sources	25,010,186	-	3,291,611	28,301,797
Interdistrict sources	6,391,618	-	-	6,391,618
Total revenues	<u>77,986,808</u>	<u>5,735,825</u>	<u>15,356,883</u>	<u>99,079,516</u>
<b>Expenditures</b>				
Current				
Education				
Instruction	37,978,834	-	-	37,978,834
Supporting services	32,438,212	-	156,988	32,595,200
Food services	-	-	3,146,779	3,146,779
Community services	503,651	-	-	503,651
Facilities acquisition	-	-	2,864,129	2,864,129
Debt service				
Principal	4,974,269	9,145,000	5,295,000	19,414,269
Interest and other expenditures	<u>238,651</u>	<u>939,061</u>	<u>1,743,669</u>	<u>2,921,381</u>
Total expenditures	<u>76,133,617</u>	<u>10,084,061</u>	<u>13,206,565</u>	<u>99,424,243</u>
Excess (deficiency) of revenues over expenditures	<u>1,853,191</u>	<u>(4,348,236)</u>	<u>2,150,318</u>	<u>(344,727)</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, 2022**

	General Fund	Debt Service Fund Willow Run	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>				
Proceeds from school bond loan fund	-	4,639,618	-	4,639,618
Transfers in	126,500	-	-	126,500
Transfers out	-	-	(126,500)	(126,500)
Total other financing sources (uses)	<u>126,500</u>	<u>4,639,618</u>	<u>(126,500)</u>	<u>4,639,618</u>
Net change in fund balances	1,979,691	291,382	2,023,818	4,294,891
Fund balances - beginning	<u>6,855,115</u>	<u>578,033</u>	<u>3,134,327</u>	<u>10,567,475</u>
Fund balances - ending	<u>\$ 8,834,806</u>	<u>\$ 869,415</u>	<u>\$ 5,158,145</u>	<u>\$ 14,862,366</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, 2022**

<b>Net change in fund balances - Total governmental funds</b>	\$ 4,294,891
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	164,995
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(4,928,009)
Capital outlay	106,343
Expenses are recorded when incurred in the statement of activities.	
Interest	(180,909)
Compensated absences	(18,776)
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	29,109,733
Net change in deferrals of resources related to the net pension liability	(29,084,549)
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	11,240,289
Net change in deferrals of resources related to the net OPEB liability	(7,084,168)
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	(4,639,618)
Repayments of long-term debt	19,414,269
Amortization of premiums	640,900
Amortization of deferred amount on debt refunding	(202,290)
<b>Change in net position of governmental activities</b>	<b><u>\$ 18,833,101</u></b>

See Accompanying Notes to the Financial Statements



**Ypsilanti Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**Note 1 - Summary of Significant Accounting Policies**

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

**Reporting Entity**

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

**District-wide Financial Statements**

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

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

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

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

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

**Fund Financial Statements**

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

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

**Ypsilanti Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

The School District reports the following major governmental funds:

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

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

Additionally, the School District reports the following fund types:

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

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

Capital Projects Fund - The 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. 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, 2022**

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Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2022, 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	2.9385

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, 2022**

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

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

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

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

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

Deferred Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining 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, 2022**

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**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. 87, *Leases* increases the usefulness of the School District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the School District's leasing activities.

**Upcoming Accounting and Reporting Changes**

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

**Ypsilanti Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

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.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This statement is effective for the year ending June 30, 2023.

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

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

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

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

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

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

**Excess of Expenditures over Appropriations**

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Operations and maintenance	\$ 6,537,504	\$ 7,440,696	\$ 903,192
Other	-	875	875
Student and School Activity Fund	125,500	156,988	31,488

**Fund Deficits**

The School District has an accumulated fund balance deficit in the Capital Projects Lighting Project Fund of \$138,304 as of June 30, 2022. 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, 2022**

**Note 3 - Deposits and Investments**

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

Cash	\$ 10,432,158
Checks issued in excess of deposits	<u>138,303</u>
Total	<u>\$ 10,293,855</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 268,021
Investments in securities, mutual funds, and similar vehicles	10,023,713
Petty cash and cash on hand	<u>2,121</u>
Total	<u>\$ 10,293,855</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	AAA	Standard & Poor's
Cash Management Class	\$ 4,579,543			
MAX Class	<u>5,444,170</u>	6 months average	AAA	Standard & Poor's
	<u>\$ 10,023,713</u>			

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

As of June 30, 2022, the net asset value ("NAV") of the School District's investment in MILAF + Portfolio was \$10,023,713. 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, 2022**

**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, \$7,312 of the School District's bank balance of \$282,400 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

**Note 4 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
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	-	-	165,574,393
Furniture and equipment	2,184,745	55,575	-	2,240,320
Vehicles	3,199,837	50,768	-	3,250,605
Total capital assets being depreciated	<u>176,973,192</u>	<u>106,343</u>	<u>-</u>	<u>177,079,535</u>
Less accumulated depreciation for				
Land improvements	2,515,204	296,406	-	2,811,610
Buildings and improvements	113,274,982	4,444,661	-	117,719,643
Furniture and equipment	1,388,957	178,354	-	1,567,311
Vehicles	3,143,412	8,588	-	3,152,000
Total accumulated depreciation	<u>120,322,555</u>	<u>4,928,009</u>	<u>-</u>	<u>125,250,564</u>
Net capital assets being depreciated	<u>56,650,637</u>	<u>(4,821,666)</u>	<u>-</u>	<u>51,828,971</u>
Net capital assets	<u>\$57,462,467</u>	<u>\$ (4,821,666)</u>	<u>\$ -</u>	<u>\$52,640,801</u>

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

<b>Governmental activities</b>	
Instruction	\$ 2,521,540
Supporting services	2,164,104
Food services	208,926
Community services	<u>33,439</u>
Total governmental activities	<u>\$ 4,928,009</u>

**Note 5 - Interfund Transfers**

Interfund transfers were made during the year, between the General Fund and the Food Service Fund totaling \$126,500. These transfers were made to reimburse the General Fund for indirect costs incurred by the food service program.

**Note 6 - 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 \$442,431.

**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 30<sup>th</sup>. 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.



**Ypsilanti Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 6,400,000	\$ 4,800,000	\$ 6,400,000	\$ 4,800,000

**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.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
<b>Bonds and notes payable</b>					
General obligation bonds	\$ 89,764,167	\$ -	\$ 16,202,738	\$ 73,561,429	\$ 16,368,571
Premium on bonds	3,651,563	-	640,900	3,010,663	-
<b>Total bonds payable</b>	<u>93,415,730</u>	<u>-</u>	<u>16,843,638</u>	<u>76,572,092</u>	<u>16,368,571</u>
<b>Notes from direct borrowings and direct placements</b>					
School Loan Revolving Fund (SLRF)	9,395,075	4,639,618	-	14,034,693	-
Accrued interest - SLRF	193,584	255,710	-	449,294	-
Installment loan	3,171,000	-	3,171,000	-	-
<b>Total notes from direct borrowings and direct placements</b>	<u>12,759,659</u>	<u>4,895,328</u>	<u>3,171,000</u>	<u>14,483,987</u>	<u>-</u>
<b>Other liabilities</b>					
Lease liability	44,010	-	40,531	3,479	3,479
Compensated absences	139,558	128,776	110,000	158,334	100,000
<b>Total other liabilities</b>	<u>183,568</u>	<u>128,776</u>	<u>150,531</u>	<u>161,813</u>	<u>103,479</u>
<b>Total</b>	<u>\$ 106,358,957</u>	<u>\$ 5,024,104</u>	<u>\$ 20,165,169</u>	<u>\$ 91,217,892</u>	<u>\$ 16,472,050</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 \$2,160,000 through year 2026; interest at 2.38% to 5.0%.	\$ 8,420,000
\$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 5.0%.	7,281,429
\$33,745,000, 2016 Series A YCS Refunding Bonds payable in annual installments of \$2,050,000 to \$2,645,000 through the year 2032; interest at 2.0% to 5.0%.	24,205,000
\$5,285,000, 2016 Series B YCS Refunding Bonds payable in annual installments of \$1,085,000 to \$1,235,000 through the year 2023; interest at 2.44% to 2.62%.	1,235,000
\$32,965,000, 2016 Series C YCS Refunding Bonds payable in annual installments of \$6,750,000 to \$6,765,000 through the year 2023; interest at 2.44% to 2.62%.	6,765,000
\$28,050,000, 2020 Refunding Bonds payable in annual installments of \$1,965,000 to \$3,590,000 through the year 2031; interest at 1.814% to 2.463%.	25,655,000
<b>Total general obligation bonded debt</b>	<u>\$ 73,561,429</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 \$8,832,117 and \$2,191,332, respectively to pay this debt. Future debt and interest will be payable from future tax levies.

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Year Ending June 30,	Bonds	
	Principal	Interest
2023	\$ 16,368,571	\$ 2,331,939
2024	9,392,857	1,905,758
2025	9,552,857	1,603,619
2026	9,647,144	1,356,810
2027	6,190,000	1,067,896
2028 - 2032	<u>22,410,000</u>	<u>2,456,558</u>
Total	<u>\$ 73,561,429</u>	<u>\$ 10,722,580</u>

**State School Loan Revolving Fund**

The State School Loan Revolving Fund consists of a direct borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Loan Revolving Fund. The School District had an outstanding balance at yearend of \$14,483,987. 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 \$158,334 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 \$1,978,678. 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).

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Contributions**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this

method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2021.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.78%
Member Investment Plan	3.0 - 7.0%	19.78%
Pension Plus	3.0 - 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$8,631,061 for the year ending September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$68,055,160 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the School District's proportion was 0.2875 percent, which was an

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increase of 0.0046 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized pension expense of \$8,286,339 for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total pension contribution expense of \$9,105,180.

At June 30, 2022, 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	\$ 1,054,204	\$ (400,764)	\$ 653,440
Changes of assumptions	4,289,954	-	4,289,954
Net difference between projected and actual earnings on pension plan investments	-	(21,879,515)	(21,879,515)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	2,666,219	(848,630)	1,817,589
Total to be recognized in future	8,010,377	(23,128,909)	(15,118,532)
School District contributions subsequent to the measurement date	8,376,966	(3,956,468)	4,420,498
Total	\$ 16,387,343	\$ (27,085,377)	\$ (10,698,034)

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, 2023. The School District will offset the contribution expense in the year ended June 30, 2023 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)	
2022	\$ (1,142,098)
2023	(3,165,425)
2024	(4,959,441)
2025	(5,851,568)
	\$ (15,118,532)

**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, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.80% net of investment expenses
  - Pension Plus Plan: 6.80% 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, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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 4.4367 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2021 MPSERS Annual Comprehensive Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	( 0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
	100.0%	

*\*Long-term rates of return are net of administrative expenses and 2.0% inflation.*

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**Rate of Return**

For the plan year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 97,300,423	\$ 68,055,160	\$ 43,808,920

*\*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](http://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.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under

## Ypsilanti Community Schools Notes to the Financial Statements June 30, 2022

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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](http://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, 2020 valuation will be amortized over an 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2021.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$2,142,590 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$4,405,503 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the School District's proportion was 0.2886 percent, which was a decrease of 0.0034 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized OPEB expense of \$(2,275,082) for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total OPEB contribution expense of \$2,175,049.

At June 30, 2022, 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	\$ -	\$(12,575,194)	\$(12,575,194)
Changes of assumptions	3,682,782	(551,082)	3,131,700
Net difference between projected and actual earnings on OPEB plan investments	-	(3,320,507)	(3,320,507)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	1,025,839	(592,878)	432,961
Total to be recognized in future	4,708,621	(17,039,661)	(12,331,040)
School District contributions subsequent to the measurement date	1,842,150	-	1,842,150
Total	<u>\$ 6,550,771</u>	<u>\$(17,039,661)</u>	<u>\$(10,488,890)</u>



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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, 2023. Other amounts reported as deferred outflows of resources and deferred 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)	
2022	\$ (3,131,409)
2023	(2,867,530)
2024	(2,667,857)
2025	(2,543,629)
2026	(990,646)
Thereafter	(129,969)
Total	\$ (12,331,040)

**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, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% 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, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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 6.1312 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Annual Comprehensive Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
	<u>100.0%</u>	

*\*Long-term rates of return are net of administrative expenses and 2.0% inflation.*

**Rate of Return**

For the plan year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Ypsilanti Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 8,186,219	\$ 4,405,503	\$ 1,197,025

**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
\$ 1,072,264	\$ 4,405,503	\$ 8,155,797

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS Annual Comprehensive Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://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, 2022.

**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

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**Ypsilanti Community Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
<b>Revenues</b>				
Local sources	\$ 11,133,250	\$ 13,500,593	\$ 13,119,422	\$ (381,171)
State sources	31,169,567	33,379,004	33,465,582	86,578
Federal sources	11,571,899	29,487,451	25,010,186	(4,477,265)
Interdistrict sources	<u>8,228,354</u>	<u>8,040,241</u>	<u>6,391,618</u>	<u>(1,648,623)</u>
Total revenues	<u>62,103,070</u>	<u>84,407,289</u>	<u>77,986,808</u>	<u>(6,420,481)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	23,929,898	30,317,393	28,521,680	(1,795,713)
Added needs	7,874,562	11,031,633	9,457,154	(1,574,479)
Supporting services				
Pupil	7,493,000	8,283,460	7,531,513	(751,947)
Instructional staff	2,710,814	5,550,933	4,439,918	(1,111,015)
General administration	753,947	695,113	671,154	(23,959)
School administration	2,535,920	2,692,771	2,618,548	(74,223)
Business	855,423	754,176	607,803	(146,373)
Operations and maintenance	5,887,727	6,537,504	7,440,696	903,192
Pupil transportation services	4,945,531	4,788,604	4,616,565	(172,039)
Central	1,494,125	6,001,302	3,816,060	(2,185,242)
Athletic activities	582,400	702,833	695,080	(7,753)
Other	-	-	875	875
Community services	501,558	560,519	503,651	(56,868)
Debt service				
Principal	2,022,606	5,009,720	4,974,269	(35,451)
Interest and fiscal charges	<u>308,304</u>	<u>250,145</u>	<u>238,651</u>	<u>(11,494)</u>
Total expenditures	<u>61,895,815</u>	<u>83,176,106</u>	<u>76,133,617</u>	<u>(7,042,489)</u>
Excess (deficiency) of revenues over expenditures	<u>207,255</u>	<u>1,231,183</u>	<u>1,853,191</u>	<u>622,008</u>

**Ypsilanti Community Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Transfers in	175,000	-	126,500	126,500
Transfers out	(382,255)	(736,662)	-	(736,662)
Total other financing sources (uses)	(207,255)	(736,662)	126,500	863,162
Net change in fund balances	-	494,521	1,979,691	1,485,170
Fund balances - beginning	6,855,115	6,855,115	6,855,115	-
Fund balances - ending	\$ 6,855,115	\$ 7,349,636	\$ 8,834,806	\$ 1,485,170

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

	June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. School District's proportion of net pension liability (%)	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	\$ 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	\$ 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	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	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 2021.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

**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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	\$ 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>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>		
D. School District's covered payroll	\$ 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	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)**

	June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. School District's proportion of the net OPEB liability (%)	0.2886%	0.2920%	0.2807%	0.2736%	0.2701%					
B. School District's proportionate share of the net OPEB liability	\$ 4,405,503	\$ 15,645,792	\$ 20,146,919	\$ 21,746,427	\$ 23,916,493					
C. School District's covered payroll	\$ 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	16.54%	59.64%	81.46%	92.80%	105.04%					
E. Plan fiduciary net position as a percentage of total OPEB liability	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 2021.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

**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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	\$ 2,175,049	\$ 1,979,012	\$ 2,039,770	\$ 1,890,235	\$ 1,717,090					
B. Contributions in relation to statutorily required contributions	<u>2,175,049</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>					
D. School Districts's covered payroll	\$ 28,108,379	\$ 24,640,202	\$ 26,282,111	\$ 24,403,657	\$ 23,260,441					
E. Contributions as a percentage of covered payroll	7.74%	8.03%	7.76%	7.75%	7.38%					

## OTHER SUPPLEMENTARY INFORMATION

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**Ypsilanti Community Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2022**

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Food Service	Student/School Activity Fund	Ypsilanti	Sinking Fund Project	Lighting Project	
<b>Assets</b>						
Cash	\$ 1,077,240	\$ 286,339	\$ 1,321,917	\$ 2,378,520	\$ -	\$ 5,064,016
Accounts receivable	-	-	-	177	-	177
Due from other governmental units	<u>513,509</u>	-	-	-	-	<u>513,509</u>
Total assets	<u>\$ 1,590,749</u>	<u>\$ 286,339</u>	<u>\$ 1,321,917</u>	<u>\$ 2,378,697</u>	<u>\$ -</u>	<u>\$ 5,577,702</u>
<b>Liabilities</b>						
Checks issued in excess of deposits	\$ -	\$ -	\$ -	\$ -	\$ 138,303	\$ 138,303
Accounts payable	86,472	1,339	-	16,481	1	104,293
Due to other governmental units	1,812	-	-	-	-	1,812
Accrued salaries payable	20,489	-	-	-	-	20,489
Unearned revenue	<u>154,660</u>	-	-	-	-	<u>154,660</u>
Total liabilities	<u>263,433</u>	<u>1,339</u>	<u>-</u>	<u>16,481</u>	<u>138,304</u>	<u>419,557</u>
<b>Fund Balances</b>						
Restricted for						
Food service	1,327,316	-	-	-	-	1,327,316
Debt service	-	-	1,321,917	-	-	1,321,917
Capital projects	-	-	-	2,362,216	-	2,362,216
Committed for student and school activities	-	285,000	-	-	-	285,000
Unassigned	-	-	-	-	(138,304)	(138,304)
Total fund balances (deficit)	<u>1,327,316</u>	<u>285,000</u>	<u>1,321,917</u>	<u>2,362,216</u>	<u>(138,304)</u>	<u>5,158,145</u>
Total liabilities and fund balances	<u>\$ 1,590,749</u>	<u>\$ 286,339</u>	<u>\$ 1,321,917</u>	<u>\$ 2,378,697</u>	<u>\$ -</u>	<u>\$ 5,577,702</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, 2022**

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Food Service	Student/School Activity Fund	Ypsilanti	Sinking Fund	Lighting Project	
<b>Revenues</b>						
Local sources	\$ 148,099	\$ 151,387	\$ 7,302,039	\$ 4,297,997	\$ 51	\$ 11,899,573
State sources	165,699	-	-	-	-	165,699
Federal sources	3,291,611	-	-	-	-	3,291,611
Total revenues	<u>3,605,409</u>	<u>151,387</u>	<u>7,302,039</u>	<u>4,297,997</u>	<u>51</u>	<u>15,356,883</u>
<b>Expenditures</b>						
Current						
Education						
Supporting services	-	156,988	-	-	-	156,988
Food services	3,146,779	-	-	-	-	3,146,779
Facilities acquisition	-	-	-	2,864,129	-	2,864,129
Debt service						
Principal	-	-	5,295,000	-	-	5,295,000
Interest and other expenditures	-	-	1,743,669	-	-	1,743,669
Total expenditures	<u>3,146,779</u>	<u>156,988</u>	<u>7,038,669</u>	<u>2,864,129</u>	<u>-</u>	<u>13,206,565</u>
Excess (deficiency) of revenues over expenditures	458,630	(5,601)	263,370	1,433,868	51	2,150,318
<b>Other Financing Uses</b>						
Transfers out	<u>(126,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,500)</u>
Net change in fund balance	332,130	(5,601)	263,370	1,433,868	51	2,023,818
Fund balances - beginning	<u>995,186</u>	<u>290,601</u>	<u>1,058,547</u>	<u>928,348</u>	<u>(138,355)</u>	<u>3,134,327</u>
Fund balances - ending	<u>\$ 1,327,316</u>	<u>\$ 285,000</u>	<u>\$ 1,321,917</u>	<u>\$ 2,362,216</u>	<u>\$ (138,304)</u>	<u>\$ 5,158,145</u>

# **Ypsilanti Community Schools**

## **Single Audit Report**

**June 30, 2022**



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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

### **Independent Auditors' Report**

Members of the Board of Education  
Ypsilanti Community Schools  
Ypsilanti, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ypsilanti Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Ypsilanti Community Schools' basic financial statements, and have issued our report thereon dated October 18, 2022.

#### **Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.



## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ypsilanti Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Ypsilanti Community Schools' Response to Findings and Corrective Action Plan

*Government Auditing Standards* requires the auditor to perform limited procedures on Ypsilanti Community Schools' response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs and corrective action plan. Ypsilanti Community Schools' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Yeo & Yeo, P.C.*

Ann Arbor, MI  
October 18, 2022



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

### **Independent Auditors' Report**

Members of the Board of Education  
Ypsilanti Community Schools  
Ypsilanti, Michigan

#### **Report on Compliance for Each Major Federal Program**

##### **Opinion on Each Major Federal Program**

We have audited the Ypsilanti Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ypsilanti Community Schools' major federal programs for the year ended June 30, 2022. Ypsilanti Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Ypsilanti Community Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

##### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Ypsilanti Community Schools and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Ypsilanti Community Schools' compliance with the compliance requirements referred to above.

## Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to Ypsilanti Community Schools' federal programs.

## Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ypsilanti Community Schools' compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Ypsilanti Community Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Ypsilanti Community Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Ypsilanti Community Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Ypsilanti Community Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

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

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ypsilanti Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Ypsilanti Community Schools' basic financial statements. We issued our report thereon dated October 18, 2022, which contained unmodified opinions on those financial statements. Our audit was for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Ann Arbor, MI  
October 18, 2022

**Ypsilanti Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2022**

Federal Agency Pass Through Grantor Program Title	Assistance Listing Number	Pass Through Grantor Number	Approved Award / Grant Amount	Accrued (Unearned) Revenue July 1, 2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue June 30, 2022
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance								
National School Lunch Program - Entitlement Commodities	10.555	2021 - 2022	\$ 125,465	\$ -	\$ -	\$ 125,465	\$ 125,465	\$ -
Cash assistance								
National School Breakfast Program								
COVID-19 Seamless Summer Option	10.553	211971	99,936	-	-	99,936	99,936	-
COVID-19 Seamless Summer Option	10.553	221971	697,062	-	-	697,062	557,243	139,819
Total National School Breakfast Program				-		796,998	657,179	139,819
National School Lunch Program								
COVID-19 Seamless Summer Option	10.555	211961	211,001	-	-	211,001	211,001	-
COVID-19 Seamless Summer Option	10.555	220910	74,905	-	-	74,905	74,905	-
COVID-19 Seamless Summer Option	10.555	221961	1,546,865	-	-	1,546,865	1,242,240	304,625
Total National School Lunch Program				-		1,832,771	1,528,146	304,625
COVID-19 Extended Summer Food Service Program	10.559	210904	1,731,010	382,750	1,542,016	188,994	571,744	-
Total Cash assistance				382,750		2,818,763	2,757,069	444,444
Total Child Nutrition Cluster				382,750		2,944,228	2,882,534	444,444
Passed through Michigan Department of Education								
Child and Adult Care Food Program - Meals								
Child and Adult Care Food Program - Meals	10.558	211920	946,938	188,023	919,356	27,582	215,605	-
Child and Adult Care Food Program - Meals	10.558	211925	26,728	-	-	26,728	26,728	-
Child and Adult Care Food Program - Cash in Lieu	10.558	212010	49,822	9,683	48,916	906	10,589	-
Child and Adult Care Food Program - Meals	10.558	221920	175,021	-	-	175,021	142,640	32,381
Child and Adult Care Food Program - Cash in Lieu	10.558	222010	7,364	-	-	7,364	5,990	1,374
Total Child and Adult Care Food Program				197,706		237,601	401,552	33,755
Passed through Michigan Department of Education								
Fresh Fruit and Vegetable Program								
Fresh Fruit and Vegetable Program	10.582	220950	109,782	-	-	109,782	48,942	60,840
Passed through Michigan Department of Education								
COVID-19 Pandemic EBT Local Costs								
COVID-19 Pandemic EBT Local Costs	10.649	210980	3,063	-	-	3,063	3,063	-
Total U.S. Department of Agriculture				580,456		3,294,674	3,336,091	539,039
U.S. Department of Treasury								
Passed through Copper County Intermediate School District								
COVID-19 MAISA MiConnect Device Purchasing Rebate Program	21.019	2020 - 2021	198,876	(198,876)	-	23,690	-	(175,186)

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Ypsilanti Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2022**

Federal Agency Pass Through Grantor Program Title	Assistance Listing Number	Pass Through Grantor Number	Approved Award / Grant Amount	Accrued (Unearned) Revenue July 1, 2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue June 30, 2022
Federal Communications Commission								
Passed through Universal Service Administrative Company								
Non-cash assistance								
COVID-19 Emergency Connectivity Funds	32.009	ECF222120108	70,966	-	-	70,966	70,966	-
COVID-19 Emergency Connectivity Funds	32.009	ECF202111309	102,709	-	-	102,709	102,709	-
Total Non-cash assistance				-		173,675	173,675	-
Cash assistance								
COVID-19 Emergency Connectivity Funds	32.009	ECF222120108	385,764	-	-	123,970	-	123,970
COVID-19 Emergency Connectivity Funds	32.009	ECF202111309	90,523	-	-	41,025	-	41,025
Total cash assistance				-		164,995	-	164,995
Total Federal Communications Commission - Total Emergency Connectivity Funds				-		338,670	173,675	164,995
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	211530	3,103,043	668,339	1,852,024	582,325	1,250,664	-
Title I Grants to Local Educational Agencies	84.010	221530	3,362,169	-	-	2,034,603	1,167,465	867,138
Total Title I Grants to Local Educational Agencies				668,339		2,616,928	2,418,129	867,138
U.S. Department of Education								
Passed through Washtenaw Intermediate School District								
Career and Technical Education - Basic Grants to States	84.048A	213520	52,011	21,773	52,011	-	21,773	-
Career and Technical Education - Basic Grants to States	84.048A	223520	70,701	-	-	47,447	14,263	33,184
Total Career and Technical Education - Basic Grants to States				21,773		47,447	36,036	33,184
Passed through Washtenaw Intermediate School District								
Special Education Cluster								
Special Education Grants to States	84.027A	200450	1,196,123	233,530	1,189,815	-	233,530	-
Special Education Grants to States	84.027A	210450	1,171,533	274,270	644,780	526,753	731,319	69,704
Special Education Grants to States	84.027A	220450	11,550,848	-	-	699,770	284,890	414,880
Total Special Education Grants to States				507,800		1,226,523	1,249,739	484,584
Special Education Preschool Grants	84.173A	210460	41,830	41,830	41,830	-	41,830	-
Special Education Preschool Grants	84.173A	220460	40,892	-	-	40,892	-	40,892
COVID-19 American Rescue Plan Handicapped Preschool Initiative	84.173X	221285	26,850	-	-	26,850	-	26,850
Total Special Education Preschool Grants				41,830		67,742	41,830	67,742
Total Special Education Cluster				549,630		1,294,265	1,291,569	552,326
Passed through Michigan Department of Education								
Literacy Excellence Accelerates Performance	84.215G	S215G210021	745,818	-	-	273,331	251,501	21,830
Passed through Washtenaw Intermediate School District								
English Language Acquisition State Grants	84.365A	210570	47,398	47,398	47,398	-	47,398	-
English Language Acquisition State Grants	84.365A	220570	67,791	-	-	20,847	-	20,847
Total English Language Acquisition State Grants				47,398		20,847	47,398	20,847

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Ypsilanti Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2022**

Federal Agency Pass Through Grantor Program Title	Assistance Listing Number	Pass Through Grantor Number	Approved Award / Grant Amount	Accrued (Unearned) Revenue July 1, 2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue June 30, 2022
Passed through Michigan Department of Education								
Supporting Effective Instruction State Grants	84.367	210520	680,717	200,614	469,815	18,042	218,656	-
Supporting Effective Instruction State Grants	84.367	210534	10,000	-	-	10,000	10,000	-
Supporting Effective Instruction State Grants	84.367	220520	605,403	-	-	283,041	-	283,041
Total Supporting Effective Instruction State Grants				200,614		311,083	228,656	283,041
Passed through Michigan Department of Education								
Supporting Educator Excellence and Knowledge	84.374A	S374A21001	5,186,550	-	-	1,935,278	1,776,125	159,153
Passed through Michigan Department of Education								
Student Support and Academic Enrichment Program	84.424	210750	253,070	38,955	176,322	11,882	50,837	-
Student Support and Academic Enrichment Program	84.424	220750	263,054	-	-	157,415	-	157,415
Total Student Support and Academic Enrichment Program				38,955		169,297	50,837	157,415
Passed through Michigan Department of Education								
Education Stabilization Fund								
COVID-19 Governor's Emergency Education Relief (GEER)	84.425C	201200	328,107	104,357	104,357	223,750	172,127	155,980
COVID-19 GEER II - Teacher and Support Staff Payments	84.425C	211202	165,000	-	-	165,000	165,000	-
				104,357		388,750	337,127	155,980
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	84.425D	203710	1,816,538	199,467	877,921	396,573	596,040	-
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	84.425D	203711	542,044	-	-	542,044	542,044	-
COVID-19 ESSER Education Equity	84.425D	203720	363,309	13,268	292,796	70,513	27,922	55,859
COVID-19 ESSER II Formula	84.425D	213712	9,424,164	-	-	6,528,716	4,850,989	1,677,727
COVID-19 ESSER II Summer Programming K-8	84.425D	213722	1,080,750	-	-	1,080,750	1,080,750	-
COVID-19 ESSER II - Credit Recovery 9-12	84.425D	213742	405,350	-	-	405,350	405,350	-
COVID-19 Sec. 23b(2c) ESSER II - Before and After School Programs K-12	84.425D	213752	25,000	-	-	25,000	-	25,000
				212,735		9,048,946	7,503,095	1,758,586
COVID-19 American Rescue Plan/ESSER III	84.425U	213713	21,180,385	-	-	6,689,988	1,948,498	4,741,490
Total Education Stabilization Fund				317,092		16,127,684	9,788,720	6,656,056
Total U.S. Department of Education				1,843,801		22,796,160	15,888,971	8,750,990
U.S. Department of Health and Human Services								
Passed through Washtenaw Intermediate School District								
Head Start Cluster								
Head Start	93.600	2020 - 2021	1,891,329	724,484	1,891,329	-	724,484	-
Head Start	93.600	2021 - 2022	2,016,750	-	-	2,013,598	1,322,253	691,345
Total Head Start Cluster				724,484		2,013,598	2,046,737	691,345
Total U.S. Department of Health and Human Services				724,484		2,013,598	2,046,737	691,345
Total Federal Financial Assistance				\$ 2,949,865		\$ 28,466,792	\$ 21,445,474	\$ 9,971,183

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Ypsilanti Community Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2022**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Ypsilanti Community Schools under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Ypsilanti Community Schools, it is not intended to and does not present the financial position and changes in financial positions of Ypsilanti Community Schools.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

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

**Indirect Cost Rate**

Ypsilanti Community Schools has elected not to use the de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Reconciliation to the Financial Statements**

The federal revenues per the financial statements reconcile to the schedule of expenditures of federal awards as follows:

Expenditures per the schedule of expenditures of federal awards	\$ 28,466,792
Emergency Connectivity Funds not received within 60 days	<u>164,995</u>
Federal revenues per the financial statements	<u>\$ 28,301,797</u>

**Note 4 - Subrecipients**

No amounts were provided to subrecipients.



**Ypsilanti Community Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2022**

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**Note 5 - Michigan Department of Education Disclosures**

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards except for the following differences caused by the timing of cash receipts:

Federal Grantor Program Title	Federal Assistance Listing Number	Grant Number	Reported on Grant Auditor Report	Reported on Schedule of Expenditures of Federal Awards	Variance
Fresh Fruit and Vegetable Program	10.582	220950	\$ 64,516	\$ 48,942	\$ 15,574
COVID-19 ESSER II Formula	84.425D	213712	5,776,363	4,850,989	925,374
COVID-19 American Rescue Plan/ESSER III	84.425U	213713	3,733,032	1,948,498	1,784,534
COVID-19 Seamless Summer Option	10.553	221971	657,779	557,243	100,536
COVID-19 Seamless Summer Option	10.555	221961	1,462,860	1,242,240	220,620
Child and Adult Care Food Program - Meals	10.558	221920	167,147	142,640	24,507
Child and Adult Care Food Program - Cash in Lieu	10.558	222010	7,123	5,990	1,133

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

**Ypsilanti Community Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2022**

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**Section I - Summary of Auditors' Results**

*Financial Statements*

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?   X   yes        no

*Federal Awards*

Internal control over financial reporting:

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

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
32.009	Emergency Connectivity Funds
84.425C, 84.425D & 84.425U	Education Stabilization Fund
84.374A	Supporting Educator Excellence and Knowledge
84.027A, 84.173A & 84.173X	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 854,004

Auditee qualified as low-risk auditee?        yes   X   no

**Ypsilanti Community Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2022**

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**Section II - Government Auditing Standards Findings**

**Finding 2022-001, 2021-002, 2020-003, 2019-005 - Material Weakness - ORS Contributions**

- Criteria:** The District is responsible for ensuring that the amounts reported to the State Office of Retirement Systems (ORS) agree to the District's payroll records.
- Condition:** The information reported to ORS is not fully reconciled to ensure that it agrees with the District's payroll records. We noted variances in every pay date during the year had a variance that was required to be addressed. Also, we noted a discrepancy in 1 out of 31 employees tested census data compared to the data in ORS.
- Cause and Effect:** The School District's has not established appropriate controls to ensure that the payroll records are properly reconciled. As a result, there is an increased risk that information reported to ORS, as well as payments made to ORS, are not appropriate.
- Recommendation:** We recommend that the School District establish policies and procedures to ensure that amounts reported to ORS are reconciled to the School District's payroll records for each pay period, and that the reconciliation be reviewed by an individual knowledgeable of the ORS system.
- Views of Responsible Officials:** Management agrees with the finding.
- Corrective Action Plan:** See attached corrective action plan from management.

**Section III - Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.

**Ypsilanti Community Schools  
Summary Schedule of Prior Audit Findings  
June 30, 2022**

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**Section IV - Prior Audit Findings**

***Government Auditing Standards Findings***

**Finding 2021-001, 2020-002, 2019-002 - Material Weakness - Material Audit Adjustments**

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

**Status:** Corrected

**Finding 2021-002, 2020-003, 2019-005 - Material Weakness - ORS Contributions**

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

**Status:** Uncorrected – See Finding 2022-001

**Finding 2021-003, 2020-004 - Material Weakness and Material Noncompliance - Budget Violations**

**Criteria:** The Michigan School Accounting Manual (Bulletin 1022) serves as a mandatory guide to the uniform classification and recording of accounting transactions for Michigan public school districts. Furthermore, the School shall not incur an expenditure against an appropriation account in excess of the amount authorized by the Board of Education.

**Status:** Corrected

**Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2021.



**Business Office**  
**Ypsilanti Community Schools**  
**1885 Packard Road, Ypsilanti, MI 48197**  
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### **CORRECTIVE ACTION PLAN**

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in Ypsilanti Community Schools' audit report for the year ended June 30, 2021, and corrective actions to be completed.

#### **Finding 2022-001, 2021-002, 2020-003, 2019-005 - Material Weakness - ORS Contributions**

##### **Criteria:**

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

##### **Condition:**

The information reported to ORS is not fully reconciled to ensure that it agrees with the District's payroll records. We noted variances in every pay date during the year had a variance that was required to be addressed. Also, we noted a discrepancy in 1 out of 31 employees tested census data compared to the data in ORS.

##### **Cause and Effect:**

The School District's has not established appropriate controls to ensure that the payroll records are properly reconciled. As a result, there is an increased risk that information reported to ORS, as well as payments made to ORS, are not appropriate.

##### **Recommendation:**

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

**Views of Responsible Officials:** Management agrees with the finding.

**Corrective Action Plan:** The District is planning to get WISD ORS officials to work with the payroll person to find out the gaps in the ORS reconciliations. In addition, district will be working with the audit firm to develop procedures to reconcile the payroll record to the data being reported to the Office of Retirement Services (ORS). Payroll accounts will be reviewed after every payroll processing throughout the year to ensure ORS records match the district ledger and software.

**Responsible Person:** Director of Finance

**Anticipated Completion Date:** June 30, 2023

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Priya Nayak  
Director of Business and Finance

October 18, 2022

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

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Ypsilanti Community Schools (the School District) as of and for the year ended June 30, 2022. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following appendices:

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

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

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

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

*Yeo & Yeo, P.C.*

Ann Arbor, Michigan

## **Appendix I**

### **Auditors' Communication of Significant Matters with Those Charged with Governance**

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

#### **Significant Audit Matters**

##### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2021:

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

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net other postemployment (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

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

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

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas:

- Management override of controls
- Improper revenue recognition
- Implementation of new lease accounting standard
- Internal control material weaknesses in the prior year
- Manual calculation of depreciation for fixed assets

## Additional Information

### Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached. Additionally, cyber insurance coverage may be difficult or costly to obtain without adequate safeguards in place within your organization.

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

Once you have performed a risk assessment, it's time to take action. A few simple solutions that are recommended to prevent cyber-attacks include:

- **Document your program** – Identify specific roles and responsibilities as well as adopting security policies and procedures for your organization to follow, is generally a good practice to have guidelines to follow in the event of an attack. Annually, risks should be reassessed, and the program should be modified to address any identified risks.
- **Offsite back up location** – Frequent data backups are a good safeguard; but if your entire network is compromised, restoring a backup saved to the network, becomes problematic. Routinely backing up data and storing offsite, allows for your organization to get back up and running as quickly as possible, if your network is attacked.
- **Require routine password changes** – Frequently, people have a bad habit of using the same password for multiple applications. Inevitably, at some point that password will likely be compromised in one of those applications. Requiring users to change their password routinely, reduces the risk of your system being accessed with a compromised password. Requiring a complex password to be of a certain length and contain a mixture of character types, reduces your risk even further.
- **Utilizing multifactor authentication (MFA)** – knowing that people may use the same password to access multiple applications, this extra security layer makes it more difficult for attackers to gain access to your system. Microsoft claims that MFA can block over 99.9 percent of account compromise attacks.
- **Provide cybersecurity training** – Security awareness training provides a human firewall to protect your system. Training sessions and automated simulated attacks are utilized to help train people on how to spot phishing email attacks. Yeo & Yeo is able to provide security training to your employees.

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



## Accounting Standards

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

## Difficulties Encountered in Performing the Audit

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

## Corrected and Uncorrected Misstatements

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

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

The following immaterial misstatements were detected as a result of audit procedures and corrected by management.

	<u>Net Income Effect</u>
To adjusted due to/froms for pooled cash across each fund	\$ 10,253
To adjust Child Nutrition Cluster revenue in Cafeteria Fund	77,968
To adjust accrued health insurance in General Fund	(223,507)
To adjust activity for student and school activity	(6,001)
To adjust Emergency Connectivity Funds in Sinking Fund	123,970
To adjust Emergency Connectivity Funds in General Fund	<u>(164,995)</u>
	<u>\$ (182,312)</u>

Management has determined that the effects of the uncorrected misstatements summarized below are immaterial both individually and, in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

### Passed Adjustments

District-Wide Financial Statements	<u>Over (Under) Stated</u>					Change in Fund Balance
	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Fund Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	
<u>Description</u>						
Right to use building and lease	\$ (949,553)	\$ (949,553)	\$ -	\$ -	\$ -	\$ -

## Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Management Representations**

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

## **Management's Consultations with Other Accountants**

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

## **Other Audit Findings or Issues**

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

## **Other Reports**

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

## **Report on Required Supplementary Information**

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## **Report on Other Supplementary Information**

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **Appendix II Matters for Management’s Consideration**

In planning and performing our audit of the financial statements of Ypsilanti Community Schools as of and for the year ended June 30, 2022, we considered the School District’s internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

However, during our audit we became aware of the following matters for management’s consideration that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated October 18, 2022, on the financial statements of Ypsilanti Community Schools.

### **Outstanding Checks**

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

### **Timely Year-end Closing and Workpaper Preparation**

Year-end reconciliations and closing entries were not complete at the start of the audit. Significant improvement was made compared to the prior year; however, procedures were not in place to ensure timely reconciliation of certain account balances during the year. Pooled cash accounts were not properly utilized during the year, transfers between the general depository and debt service fund bank accounts were outstanding at year end, student and school activities special revenue fund was not recorded and the Lighting Project Fund has a deficit fund balance. This is a repeat matter from the prior year. We recommend that the School District develop and adhere to procedures to ensure the timely reconciliation of all balances during the year.

### **Fixed Asset Tracking**

The School District currently calculates depreciation expense and accumulated depreciation in a spreadsheet. During our review of the fixed asset listing, we noted several formula errors in calculating depreciation expense and accumulated depreciation. The formula errors were due to complicated formulas being used to recalculate the capital asset net book value and inconsistently applied to certain asset additions. If the School District prefers to maintain the fixed assets in a spreadsheet we recommend simplifying the calculation and reviewing the capital asset spreadsheet prior to the start of the audit. Alternately, the School District can implement a fixed asset software package to replace the spreadsheet calculations.

### **Budget Monitoring and Variances**

The Uniform Budgeting and Accounting Act requires the School District to amend the original adopted budget “as soon as it become apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined”. The Act also states that “an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body”. During our review of the School District’s compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated in certain areas within the General Fund and the Student and School Activity Fund. Although the amounts were not significant the School District should strive to adopt a complete budget to ensure compliance with the Uniform Budgeting and Accounting Act.

### **Federal Policies and Procedures Manual**

In the current year, we noted that the School District was developed a "State and Federal Grants Handbook". 2 CFR § 200.331 requires that the School District has subrecipient monitoring procedures and excess cost activities procedures in place. We noted no such procedures included in the handbook. We recommend that the School District continue to develop this handbook to ensure that all relevant compliance requirements are covered. This is a repeat matter from the prior year.

### **Payroll Deficiency**

During our testing of payroll we noted an employee charged to federal awards was paid 70.5 hours at their overtime rate instead of approved salary rate due to an input error. Although this error was not material, it is indicative of poor internal controls governing the payroll process. We recommend payrates to be reviewed for accuracy each pay period to identify any discrepancies.