

School District of the City of River Rouge

Financial Statements

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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School District of the City of River Rouge
Members of the Board of Education and Administration
June 30, 2023

Members of the Board of Education

Valveta Reese	President
Candise Green	Vice-President
Mitchell Doig	Secretary
Joshua Wheeler	Treasurer
Cornelius Cooper	Trustee
Charita Hightower	Trustee
Keith Sabuda	Trustee

Administration

Dr. Derrick R. Coleman	Superintendent
Alisa Berry-Brown	Deputy Superintendent

Independent Auditors' Report

Management and the Board of Education
School District of the City of River Rouge
River Rouge, 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 the School District of the City of River Rouge, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise School District of the City of River Rouge's 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 the School District of the City of River Rouge, as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District of the City of River Rouge, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District of the City of River Rouge's 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 the School District of the City of River Rouge 's 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 the School District of the City of River Rouge's 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, schedule of the school district's OPEB liability and related ratios, schedule of the school district's employer contributions, identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of River Rouge's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. 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 November 7, 2023 on our consideration of the School District of the City of River Rouge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District of the City of River Rouge's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of the City of River Rouge's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI
November 7, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

School District of the City of River Rouge

Management's Discussion and Analysis

June 30, 2023

This section of the School District of the City of River Rouge's (the School District) annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2023. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The School District is a K-12 school district located in Wayne County, Michigan. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the School District's overview of the financial results for the fiscal year ended June 30, 2023.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the entire School District, presenting both an aggregate view of the School District's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, Capital Projects Fund and Debt Service Fund individually, and the non-major governmental funds (the Food Service Fund and Student Activities Fund). The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

School District of the City of River Rouge
Management's Discussion and Analysis
June 30, 2023

The statement of net position and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), State and Federal grants, and other local dollars finance most of these activities.

The *District-wide Financial Statements* are full accrual basis statements. They report all the School District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Fund solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the School District are reported in the statement of net position of the *District-wide Financial Statements*.

Fund Financial Statements

The fund-level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the School District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Fund and the Special Revenue (Food Service and Student Activities) Fund.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**School District of the City of River Rouge
Management's Discussion and Analysis
June 30, 2023**

Summary of Net Position:

The following summarizes the net position as of June 30, 2023 and 2022:

Condensed Statements of Net Position
as of June 30, 2023 and 2022

	Governmental Activities	
	2023	2022
Assets		
Current assets	\$ 20,054,624	\$ 21,760,417
Capital assets	29,229,948	23,315,606
Total assets	49,284,572	45,076,023
Deferred outflows of resources		
Pension related	16,289,767	12,169,215
Liabilities		
Current liabilities	4,307,958	8,080,473
Long-term liabilities	69,065,171	55,835,256
	73,373,129	63,915,729
Deferred inflows of resources		
Pension and OPEB related	9,148,292	18,472,568
Net position		
Net investment in capital assets	5,389,948	23,315,606
Restricted	1,983,307	2,680,944
Unrestricted	(24,320,337)	(51,139,609)
Total net position	\$ (16,947,082)	\$ (25,143,059)

School District of the City of River Rouge
Management's Discussion and Analysis
June 30, 2023

By far the most significant portion of the School District's net position is the negative unrestricted portion related to pensions and other postemployment benefits (OPEB). The unrestricted portion of net position decreased during the fiscal year as a result of last fiscal year's recording of the pension liability, OPEB liability, and correlating deferred outflows and inflows of resources that are required to be recorded through a change in accounting principles. The School District also reports its investment in capital assets (e.g., land, buildings, equipment, etc.). The School District uses these capital assets to provide services to students and residents of the community; consequently, these assets are not available for future spending. Also the amount of net position restricted for specific purposes was specifically restricted for vocational and special education purposes.

Analysis of Financial Position

The above analysis focuses on the net position. The change in the net position (see table on next page) of the School District's governmental activities is discussed below. The School District's net position was (\$16,947,082) at June 30, 2023. The net investment in capital assets of \$31,675,615 compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations.

The unrestricted net position of (\$50,606,004) of governmental activities represents the accumulated results of all past years' operations. Long-term liabilities are greater than the current and capital assets of the School District; therefore, the net position is negative. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

**School District of the City of River Rouge
Management's Discussion and Analysis
June 30, 2023**

Results of Operations:

District-wide operating results for the fiscal years ended June 30, 2023 and 2022:

Condensed Statements of Activities
Years Ended June 30, 2023 and 2022

	Governmental Activities	
	2023	2022
Revenues		
Program revenues		
Charges for service	\$ 522,887	\$ 509,446
Operating grants	15,960,790	13,318,372
General revenues		
Property taxes	6,568,339	6,581,088
State school aid-unrestricted	23,964,589	20,070,030
Other	483,759	1,055,632
Total revenues	47,500,364	41,534,568
Functions/program expenses		
Instruction	19,019,432	17,254,234
Supporting services	16,513,262	15,143,342
Community services	77,061	47,425
Food services	1,889,515	1,092,253
Student and school activities	226,945	274,412
Interest on long-term debt	357,442	257,298
Unallocated depreciation	1,220,730	1,094,404
Total expenses	39,304,387	35,163,368
Change in net position	\$ 8,195,977	\$ 6,371,200

School District of the City of River Rouge
Management's Discussion and Analysis
June 30, 2023

Analysis of Results of Operations

As reported in the statement of activities, the cost of all of our governmental activities this year was \$39,304,387. Certain activities were partially funded from those who benefited from the programs of \$522,887 or by other governments and organizations that subsidized certain programs with grants and contributions of \$15,960,790. We paid for the remaining "public benefit" portion of our governmental activities with \$6,568,339 in taxes, \$23,964,589 in State foundation allowance, and \$483,759 with other revenue, i.e., Wayne County enhancement millage, interest and general entitlements.

The School District experienced an increase in net position of \$8,195,977. Key reasons for the change in net position were as follows:

- The District received approximately \$4.5 million in ESSER II COVID funding of which approximately \$2.6 million was expended as of the 2022-2023 school year. This funding has allowed the District to cover costs that would have ordinarily come from the unrestricted funds in the general fund.
- The District received approximately \$1 million in revenue from an enhancement millage received from Wayne County Regional Educational Service Agency.
- The District received approximately \$770,000 in revenue from LEAP.

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

Results of 2022-2023 Operations

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$11,793,364, which is a decrease of \$4,031,736 from the prior year. The primary reasons for the change are as follows:

In the General Fund, our principal operating fund, the fund balance decreased by \$925,216 to a fund balance of \$9,266,778. The change is mainly due to:

- A decrease in the District's Hold Harmless revenue from the previous year.
- The District's teachers, para pros and secretaries receiving a step increase per their contracts.

School District of the City of River Rouge
Management's Discussion and Analysis
June 30, 2023

The Debt Service Fund showed a fund balance decrease of \$383,350. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The School District has borrowed from the School Bond Loan Revolving Fund to supplement property tax revenue in making annual bond payments. The School Bond Loan Revolving fund was paid off in FY 23.

There was a decrease in the Food Service Fund balance of \$316,784 due to food costs exceeding food sales related to operating the School District's Child Nutrition Program. The Food Service Fund balance is \$789,948 at June 30, 2023.

There was a decrease in the Capital Projects Fund balance of \$2,391,890 due to project-related expenditures continuing. The Capital Projects Fund balance is \$513,900 at June 30, 2023.

There was a decrease in the Student Activities Fund balance of \$14,496 due to the decrease student and school-related receipts combined with an increase in spending on related programs. The Student Activities Fund deficit is \$26,710 at June 30, 2023. The General Fund has sufficient fund balance to cover the cash flow needs of the Student Activities Fund.

General Fund Budgetary Highlights

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

There were revisions made to the 2022-2023 General Fund original budget. Changes were made due to a decrease in Federal funding that affected both revenue and the expenditure budget. The remaining grant item variances were spread across several function lines.

There were variances between the final budget and actual revenues/expenditures for the following reasons:

- The School District's General Fund revenues were approximately \$1,018,226 less than the final amended budget, a variance of 2.5%. The budgeted in excess of actual revenue was primarily caused by unspent Federal awards which were unexpected with adoption of the final budget at June 30, 2023.
- The School District's General Fund expenditures were approximately \$2,134,892 more than the final amended budget, a variance of 5.7%. The increase of actual expenditures over budget is due primarily to changes in staffing needs, transportation, and operations and maintenance costs.

**School District of the City of River Rouge
Management's Discussion and Analysis
June 30, 2023**

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2023, the School District had \$75,002,504 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Assets				
Capital assets not being depreciated				
Land	\$ 2,652,835	\$ -	\$ -	\$ 2,652,835
Construction-in-progress	<u>347,578</u>	<u>2,941,357</u>	<u>-</u>	<u>3,288,935</u>
Total capital assets being depreciated	<u>3,000,413</u>	<u>2,941,357</u>	<u>-</u>	<u>5,941,770</u>
Capital assets being depreciated				
Buildings, additions and improvements	56,952,562	2,507,389	-	59,459,951
Equipment, furniture, and other assets	7,740,070	1,686,326	-	9,426,396
Vehicles and buses	<u>174,387</u>	<u>-</u>	<u>-</u>	<u>174,387</u>
Total capital assets being depreciated	<u>64,867,019</u>	<u>4,193,715</u>	<u>-</u>	<u>69,060,734</u>
Less accumulated depreciation for				
Buildings, additions and improvements	37,161,157	997,778	-	38,158,935
Equipment, furniture, and other assets	7,239,337	210,438	-	7,449,775
Vehicles and buses	<u>151,332</u>	<u>12,514</u>	<u>-</u>	<u>163,846</u>
Total accumulated depreciation	<u>44,551,826</u>	<u>1,220,730</u>	<u>-</u>	<u>45,772,556</u>
Net capital assets being depreciated	<u>20,315,193</u>	<u>2,972,985</u>	<u>-</u>	<u>23,288,178</u>
General capital assets, net	<u>\$ 23,315,606</u>	<u>\$ 5,914,342</u>	<u>\$ -</u>	<u>\$ 29,229,948</u>

School District of the City of River Rouge
Management's Discussion and Analysis
June 30, 2023

During 2023, the School District had a net increase in capital assets of \$5,914,342 while the School District realized an increase in capital asset additions related to building improvements and purchases of equipment of \$7,135,072. More detailed information about our capital assets is provided in the notes to the financial statements.

Debt

At the end of this year, the School District had \$24,452,889 in bonds and other long-term obligations outstanding versus \$28,086,758 in the previous year - a change of 13 percent. This debt consisted of a refunding bond and employee compensated absences.

More detailed information about our debt is provided in the notes to the financial statements.

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly less than the 15 percent limit.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2023-2024 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2023-24 fiscal year is 90 percent and 10 percent of the October 2023 and February 2023 student counts, respectively. The 2023-24 fiscal year budget was adopted in June 2023, based on an estimate of students that will be enrolled in October 2023. Approximately 80 percent of total General Fund revenues are from the foundation allowance. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per-pupil funding are validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Affecting the budget is our reliance on the State's ability to collect revenue to fund its appropriation to school districts and the uncertainty of student enrollment. Based on early enrollment data, at the start of the 2023-24 school year, we anticipate that the fall student count will be less than the estimate used in creating the 2023-24 budget. We have developed our budget using a decrease in student count based on early enrollment data and an increase in federal funding resulting in a \$905,703 decrease in state revenue and \$2,291,582 increase in federal funding from the 2022-23 fiscal year.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

BASIC FINANCIAL STATEMENTS

School District of the City of River Rouge
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 7,244,288
Restricted cash	1,805,125
Accounts receivable	90,173
Due from other governmental units	10,897,385
Prepaid items	17,653
Capital assets not being depreciated	5,941,770
Capital assets - net of accumulated depreciation	<u>23,288,178</u>
 Total assets	 <u>49,284,572</u>
 Deferred Outflows of Resources	
Deferred amount relating to net pension liability	12,888,379
Deferred amount relating to net OPEB liability	<u>3,667,125</u>
 Total deferred outflows of resources	 <u>16,555,504</u>

See Accompanying Notes to the Financial Statements

School District of the City of River Rouge
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 597,037
Payroll deductions and withholdings	1,187,053
Accrued expenditures	56,089
Accrued salaries payable	1,699,046
Unearned revenue	768,733
Long-term liabilities	
Net pension liability	42,137,599
Net OPEB liability - MPSERS	2,135,730
Net OPEB liability - single employer plan	338,953
Due within one year	3,086,933
Due in more than one year	<u>21,365,956</u>
Total liabilities	<u>73,373,129</u>
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	3,881,744
Deferred amount relating to net OPEB liability	<u>5,532,285</u>
Total deferred inflows of resources	<u>9,414,029</u>
Net Position	
Net investment in capital assets	5,389,948
Restricted for	
Food service	789,948
Debt service	1,193,359
Unrestricted	<u>(24,320,337)</u>
Total net position	<u>\$ (16,947,082)</u>

See Accompanying Notes to the Financial Statements

School District of the City of River Rouge
Statement of Activities
For the Year Ended June 30, 2023

	Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	
Functions/Programs				
Governmental activities				
Instruction	\$ 19,019,432	\$ -	\$ 6,785,668	\$ (12,233,764)
Supporting services	16,513,262	141,579	7,501,232	(8,870,451)
Food service	1,889,515	55,950	1,673,890	(159,675)
Community services	77,061	112,909	-	35,848
Student and school activities	226,945	212,449	-	(14,496)
Interest and fiscal charges on long-term debt	357,442	-	-	(357,442)
Unallocated depreciation	1,220,730	-	-	(1,220,730)
Total governmental activities	\$ 39,304,387	\$ 522,887	\$ 15,960,790	(22,820,710)
General revenues				
Property taxes, levied for general purposes				2,077,202
Property taxes, levied for debt service				3,450,520
Property taxes, county enhancement millage				1,040,617
State aid - unrestricted				23,964,589
Interest and investment earnings				399,854
Other				83,905
Total general revenues				31,016,687
Change in net position				8,195,977
Net position - beginning				(25,143,059)
Net position - ending				\$ (16,947,082)

See Accompanying Notes to the Financial Statements

School District of the City of River Rouge
Governmental Funds
Balance Sheet
June 30, 2023

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 5,467,180	\$ 912,559	\$ 858,228	\$ 6,321	\$ 7,244,288
Restricted cash	-	1,805,125	-	-	1,805,125
Accounts receivable	90,173	-	-	-	90,173
Due from other funds	1,810,163	-	-	742,013	2,552,176
Due from other governmental units	10,814,278	-	-	83,107	10,897,385
Prepaid items	17,653	-	-	-	17,653
	<u>\$ 18,199,447</u>	<u>\$ 2,717,684</u>	<u>\$ 858,228</u>	<u>\$ 831,441</u>	<u>\$ 22,606,800</u>
Total assets					
Liabilities					
Accounts payable	\$ 526,433	\$ -	\$ 18,775	\$ 51,829	\$ 597,037
Due to other funds	742,013	1,468,236	325,553	16,374	2,552,176
Payroll deductions and withholdings	1,187,053	-	-	-	1,187,053
Accrued salaries payable	1,699,046	-	-	-	1,699,046
Unearned revenue	768,733	-	-	-	768,733
	<u>4,923,278</u>	<u>1,468,236</u>	<u>344,328</u>	<u>68,203</u>	<u>6,804,045</u>
Total liabilities					

See Accompanying Notes to the Financial Statements

School District of the City of River Rouge
Governmental Funds
Balance Sheet
June 30, 2023

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Deferred Inflows of Resources					
Unavailable revenue					
Grants received	\$ 4,009,391	\$ -	\$ -	\$ -	\$ 4,009,391
Fund Balances					
Non-spendable					
Prepaid items	17,653	-	-	-	17,653
Restricted for					
Food service	-	-	-	789,948	789,948
Debt service	-	1,249,448	-	-	1,249,448
Assigned	-	-	513,900	-	513,900
Unassigned (deficit)	<u>9,249,125</u>	<u>-</u>	<u>-</u>	<u>(26,710)</u>	<u>9,222,415</u>
Total fund balances	<u>9,266,778</u>	<u>1,249,448</u>	<u>513,900</u>	<u>763,238</u>	<u>11,793,364</u>
Total liabilities and fund balances	<u>\$ 18,199,447</u>	<u>\$ 2,717,684</u>	<u>\$ 858,228</u>	<u>\$ 831,441</u>	<u>\$ 22,606,800</u>

See Accompanying Notes to the Financial Statements

School District of the City of River Rouge
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2023

Total fund balances for governmental funds	\$ 11,793,364
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	
Grant received	4,009,391
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets not being depreciated	5,941,770
Capital assets - net of accumulated depreciation	23,288,178
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(3,881,744)
Deferred inflows of resources resulting from net OPEB liability	(5,532,285)
Deferred outflows of resources resulting from net pension liability	12,888,379
Deferred outflows of resources resulting from net OPEB liability	3,667,125
Certain liabilities are not due and payable in the current period and are not reported in the funds	
Accrued interest	(56,089)
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	(42,137,599)
Net OPEB liability - MPSERS	(2,135,730)
Compensated absences	(612,889)
Bonds payable	(23,840,000)
Net OPEB liability - single employer plan	<u>(338,953)</u>
Net position of governmental activities	<u>\$ (16,947,082)</u>

See Accompanying Notes to the Financial Statements

School District of the City of River Rouge
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	General Fund	Debt Service	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 2,899,801	\$ 1,988,651	\$ 43,136	\$ 268,399	\$ 5,199,987
State sources	31,009,072	1,534,381	-	67,001	32,610,454
Federal sources	2,726,668	-	-	1,673,890	4,400,558
Interdistrict sources	2,278,447	-	-	-	2,278,447
	<u>38,913,988</u>	<u>3,523,032</u>	<u>43,136</u>	<u>2,009,290</u>	<u>44,489,446</u>
Expenditures					
Current					
Education					
Instruction	21,275,274	-	-	-	21,275,274
Supporting services	18,471,854	-	-	-	18,471,854
Food services	-	-	-	2,113,625	2,113,625
Community services	86,201	-	-	-	86,201
Student and school activities	-	-	-	226,945	226,945
Capital outlay	5,875	-	2,435,026	-	2,440,901
Debt service					
Principal	-	3,520,776	-	-	3,520,776
Interest and other expenditures	-	385,606	-	-	385,606
	<u>39,839,204</u>	<u>3,906,382</u>	<u>2,435,026</u>	<u>2,340,570</u>	<u>48,521,182</u>
Excess (deficiency) of revenues over expenditures	(925,216)	(383,350)	(2,391,890)	(331,280)	(4,031,736)
Fund balances - beginning	<u>10,191,994</u>	<u>1,632,798</u>	<u>2,905,790</u>	<u>1,094,518</u>	<u>15,825,100</u>
Fund balances - ending	<u>\$ 9,266,778</u>	<u>\$ 1,249,448</u>	<u>\$ 513,900</u>	<u>\$ 763,238</u>	<u>\$ 11,793,364</u>

See Accompanying Notes to the Financial Statements

School District of the City of River Rouge
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Net change in fund balances - Total governmental funds	\$ (4,031,736)
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.	
Property taxes	(51,202)
Operating grants	3,062,120
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	(1,220,730)
Capital outlay	7,135,072
Expenses are recorded when incurred in the statement of activities.	
Interest	28,164
Compensated absences	87,397
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 expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(13,568,427)
Net change in deferrals of resources related to the net pension liability	11,669,375
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 expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Change in net OPEB liability - MPSERS	(238,259)
Change in total OPEB liability - single employer plan	27,974
Net change in deferrals of resources related to the net OPEB liability	1,775,453
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	3,520,776
Change in net position of governmental activities	\$ 8,195,977

School District of the City of River Rouge
Notes to the Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the School District of the City of River Rouge (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 School District as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize 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

Separate financial statements are provided for governmental funds. 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.

School District of the City of River Rouge
Notes to the Financial Statements
June 30, 2023

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

The School District reports the following major governmental funds:

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

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

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

Additionally, the School District reports the following fund type:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund and Student Activities Fund.

Assets, Liabilities and Net Position or Equity

Cash – Cash and cash equivalents include checking and savings accounts, pooled investment funds, and imprest cash. Cash equivalents are recorded at fair value.

Restricted cash – Restricted cash is for debt service repayment.

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.

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

General Fund	
Non-principal residence exemption	17.35000
Commercial personal property	7.85000
Hold harmless	2.50000
Debt Service Funds	13.00000

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 the City of River Rouge.

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 30 or February 28. Collections are forwarded to the School District as collected by the city.

The School District has considered the impact of GASB Statement No. 77, *Tax Abatement Disclosures* and determined that there are no abatements that reduce property tax revenues.

School District of the City of River Rouge
Notes to the Financial Statements
June 30, 2023

Prepaid Items – 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
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. 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 and experience differences 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.

Compensated Absences – Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the School

District has recorded all liabilities associated with compensated absences. The liability for compensated absences reported in the district-wide financial statements consists of earned but unused accumulated sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

Accrued Interest – Accrued interest is presented for long-term obligations in the district-wide financial statements as a current liability under the appropriate heading.

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

School District of the City of River Rouge
Notes to the Financial Statements
June 30, 2023

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension 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 and experience differences 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 MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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. The Board of Education has granted the Superintendent 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.

The School District has adopted a minimum fund balance policy, as follows: The Board of Education shall ensure that adequate funds are reserved for the General Fund to maintain a secure financial position whereby the fund balance shall not fall below 15% of the preceding year's expenditures.

School District of the City of River Rouge
Notes to the Financial Statements
June 30, 2023

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

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

Upcoming Accounting and Reporting Changes

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

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

School District of the City of River Rouge
Notes to the Financial Statements
June 30, 2023

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. Significant variances are as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 17,571,713	\$ 18,126,154	\$ 554,441
Added needs	2,849,824	3,149,120	299,296
Pupil	3,047,293	3,238,636	191,343
Instructional staff	1,951,429	2,577,988	626,559
Operations and maintenance	3,652,695	3,782,966	130,271
Pupil transportation services	2,354,700	2,962,319	607,619
Community services	69,550	86,201	16,651

Fund Deficit

The School District has an accumulated fund balance deficit in the Student Activities Fund in the amount of \$26,710 as of June 30, 2023. The School District does not anticipate the need to file a deficit elimination plan with the State of Michigan because the deficit is caused by timing of expenditures in excess of revenues that are expected to be short-term in nature. In the unlikely event future revenues do not cover future expenditures, the General Fund has sufficient fund balance to cover this deficit.

Note 3 - Deposits and Investments

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

	Governmental Activities
Cash and cash equivalents	\$ 7,244,288
Restricted cash	<u>1,805,125</u>
	<u>\$ 9,049,413</u>

The School District had \$144 of imprest cash on hand.

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

Deposits (checking accounts)	\$ 1,397,730
Investments in securities, mutual funds, and similar vehicles	7,651,539
Petty cash and cash on hand	<u>144</u>
Total	<u>\$ 9,049,413</u>

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

Investment	Carrying Value	Rating	Rating Organization
Michigan Liquid Asset Fund (MILAF): MILAF + Portfolio	\$ 7,651,539	AAAm	Standard and Poors

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

School District of the City of River Rouge
Notes to the Financial Statements
June 30, 2023

As of June 30, 2023, the net asset value of the School District's investment in MILAF + Portfolio was \$7,651,539. 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 net asset value not reasonably practical, the Trust's Board of Trustees may suspend the right of withdrawal or postpone the date of payment. The net asset value ("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 – The School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit risk – State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2023, the MILAF+ investments were rated AAAM by Standard and Poor's and had a weighted average maturity (WAM) of 80 days.

Concentration of credit risk – The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of year-end, \$10,629,266 of the School District's bank balance of \$10,879,266 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board of Education and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business in accordance with the Board of Education approved policy.

School District of the City of River Rouge
Notes to the Financial Statements
June 30, 2023

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,652,835	\$ -	\$ -	\$ 2,652,835
Construction-in-progress	<u>347,578</u>	<u>2,941,357</u>	<u>-</u>	<u>3,288,935</u>
Total capital assets not being depreciated	<u>3,000,413</u>	<u>2,941,357</u>	<u>-</u>	<u>5,941,770</u>
Capital assets being depreciated				
Buildings and additions	56,952,562	2,507,389	-	59,459,951
Equipment and furniture	7,740,070	1,686,326	-	9,426,396
Buses and other vehicles	<u>174,387</u>	<u>-</u>	<u>-</u>	<u>174,387</u>
Total capital assets being depreciated	<u>64,867,019</u>	<u>4,193,715</u>	<u>-</u>	<u>69,060,734</u>
Less accumulated depreciation for				
Buildings and additions	37,161,157	997,778	-	38,158,935
Equipment and furniture	7,239,337	210,438	-	7,449,775
Buses and other vehicles	<u>151,332</u>	<u>12,514</u>	<u>-</u>	<u>163,846</u>
Total accumulated depreciation	<u>44,551,826</u>	<u>1,220,730</u>	<u>-</u>	<u>45,772,556</u>
Net capital assets being depreciated	<u>20,315,193</u>	<u>2,972,985</u>	<u>-</u>	<u>23,288,178</u>
Net capital assets	<u>\$ 23,315,606</u>	<u>\$ 5,914,342</u>	<u>\$ -</u>	<u>\$ 29,229,948</u>

Total depreciation of \$1,220,730 was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

Construction Contracts

As of year end, the School District had the following construction contracts in progress:

Project	Total Contract	Construction in Progress	Remaining Commitment
Ann Visger HVAC	\$ 2,881,207	\$ 2,516,376	\$ 364,831
Ann Visger Kitchen Renovation	<u>858,426</u>	<u>772,559</u>	<u>85,867</u>
Total	<u>\$ 3,739,633</u>	<u>\$ 3,288,935</u>	<u>\$ 450,698</u>

Note 5 - Interfund Receivables and Payables

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental funds	General Fund	\$ 742,013
General Fund	Capital Projects Fund	325,553
General Fund	Debt Service Fund	1,468,236
General Fund	Nonmajor governmental funds	<u>16,374</u>
		<u>\$ 2,552,176</u>

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

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

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, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 768,733</u>
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Note 7 - 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. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified

School District of the City of River Rouge
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bonds. 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.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 26,820,000	\$ -	\$ 2,980,000	\$ 23,840,000	\$ 2,995,000
Notes from direct borrowings and direct placements					
School bond loan fund	540,776	-	540,776	-	-
School bond loan fund interest	25,696	766	26,462	-	-
Totals notes from direct borrowings and direct payments	566,472	766	567,238	-	-
Other liabilities					
Compensated absences	700,286	170,025	257,422	612,889	91,933
Total	\$ 28,086,758	\$ 170,791	\$ 3,804,660	\$ 24,452,889	\$ 3,086,933

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

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

\$27,380,000 2020 refunding bond due in annual installments ranging from \$2,150,000 to \$3,245,000 through May 1, 2031, interest at .72% to 1.99%

\$ 23,840,000

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

	Principal	Interest	Total
Year Ending June 30,			
2024	\$ 2,995,000	\$ 344,010	\$ 3,339,010
2025	3,015,000	322,534	3,337,534
2026	3,040,000	295,792	3,335,792
2027	3,080,000	258,826	3,338,826
2028	3,130,000	213,672	3,343,672
2029 - 2031	8,580,000	307,544	8,887,544
Total	<u>\$ 23,840,000</u>	<u>\$ 1,742,378</u>	<u>\$ 25,582,378</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$1,249,448 to pay this debt. Future debt and interest will be payable from future tax levies.

State School Bond Loan

The School District has borrowed on various occasions from the Michigan School Bond Qualification and Loan Program. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate was 4.11441 percent for both the School Bond Loan Fund.

The balances at June 30, 2023 are \$0.

Compensated Absences

Accrued compensated absences at year end, consist of \$70,212 of vacation hours earned and vested and \$542,677 in accrued sick time benefits. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

School District of the City of River Rouge
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Note 8 - Risk Management

The School District participates in a public entity risk pool through the School Employers Group. This program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

Note 9 - Pension Plan

Plan Description

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

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

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

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

Benefits Provided

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021

School District of the City of River Rouge
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valuation will be amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

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

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

Required contributions to the pension plan from the School District were \$3,813,450 for the year ending September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$42,137,599 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.1120% percent, which was a decrease of 0.0086 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized pension expense of \$5,407,438 for the measurement

period. For the reporting period ending June 30, 2023, the School District recognized total pension contribution expense of \$3,791,815.

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 421,523	\$ (94,215)	\$ 327,308
Changes of assumptions	7,240,749	-	7,240,749
Net difference between projected and actual earnings on pension plan investments	98,813	-	98,813
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>1,517,545</u>	<u>(2,042,260)</u>	<u>(524,715)</u>
Total to be recognized in future	9,278,630	(2,136,475)	7,142,155
School District contributions subsequent to the measurement date	<u>3,609,749</u>	<u>(1,745,269)</u>	<u>1,864,480</u>
Total	<u>\$ 12,888,379</u>	<u>\$ (3,881,744)</u>	<u>\$ 9,006,635</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. The District will offset the contribution expense in the year ended June 30, 2024 with the 147c supplemental income received

School District of the City of River Rouge
Notes to the Financial Statements
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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)	
2023	\$ 2,345,031
2024	1,606,058
2025	1,003,859
2026	2,187,207
	\$ 7,142,155

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

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

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

School District of the City of River Rouge
Notes to the Financial Statements
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Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.1%
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	10.5	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	12.5	5.8
Short Term Investment Pools	2.0	(0.5)
	<u>100.0%</u>	

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

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.00%	6.00%	7.00%
<u>\$ 55,605,976</u>	<u>\$ 42,137,599</u>	<u>\$ 31,039,049</u>

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

School District of the City of River Rouge
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**Michigan Public School Employees' Retirement System (MPSERS)
Fiduciary Net Position**

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

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

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

Note 10 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning 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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

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

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

Required contributions to the OPEB plan from the School District were \$768,087 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$2,135,730 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.1008 percent, which was a decrease of 0.0235 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized OPEB expense of \$(795,211) for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total OPEB contribution expense of \$952,085.

School District of the City of River Rouge
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At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (4,183,077)	\$ (4,183,077)
Changes of assumptions	1,903,645	(155,006)	1,748,639
Net difference between projected and actual earnings on OPEB plan investments	166,924	-	166,924
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>725,740</u>	<u>(1,194,202)</u>	<u>(468,462)</u>
Total to be recognized in future	2,796,309	(5,532,285)	(2,735,976)
School District contributions subsequent to the measurement date	<u>870,816</u>	<u>-</u>	<u>870,816</u>
Total	<u>\$ 3,667,125</u>	<u>\$ (5,532,285)</u>	<u>\$ (1,865,160)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2023	\$ (799,637)
2024	(755,359)
2025	(689,241)
2026	(185,849)
2027	(254,905)
Thereafter	<u>(50,985)</u>
	<u>\$ (2,735,976)</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses

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- 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.

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, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years is 6.2250.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

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

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

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Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 3,582,481	\$ 2,135,730	\$ 917,386

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
\$ 894,342	\$ 2,135,730	\$ 3,529,213

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

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

Note 11 - Single Employer Other Post-Employment Benefits

The School District of the City of River Rouge Retiree Medical Plan (the medical plan) is a single employer plan providing postemployment health care benefits to certain retirees and their beneficiaries through the purchase of private insurance. During the year ended June 30, 2010, the School District altered its medical plan for this group of retirees whose healthcare premiums had previously been paid in whole by the School District.

Benefits provided – The medical plan requires the School District to reimburse the 27 retirees for the MPSERS monthly retiree healthcare premium withheld from their pension payment plus certain deductibles, co-pays, and prescription costs. Additionally, in an effort to make the retirees "whole," the School District has contracted with a health reimbursement company to process receipts submitted by the retirees. These receipts are for the difference between co-pays and deductibles from the former River Rouge Blue Cross plan to the Michigan Public Schools Employees' Retirement Plan. The maximum liability for the

School District of the City of River Rouge
Notes to the Financial Statements
June 30, 2023

reimbursements is approximately \$80,000 annually, including a \$1,620 annual administration fee.

Employees covered by benefit terms – At June 30, 2022 the plan membership consisted of the following:

Retirees and beneficiaries 21

The medical plan covers only certain retirees and is not available to current employees or future retirees of the School District.

Contributions – The medical plan was established and is being funded under the authority of the School District and under agreements with the unions representing various classes of employees. The plan’s funding policy is that the employer will fund the plan on a pay-as-you-go basis. That is, benefit payments will be made from general operating funds. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

Investment policy – The plan’s funding policy is that the employer will fund the plan on a pay-as-you-go basis. Therefore, there are no investments held by the plan for the year ended June 30, 2023.

Net OPEB liability – The net OPEB liability was measured as of June 30, 2023, and the net OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Plan fiduciary net position as a percentage of the net OPEB liability is 0.0%.

Actuarial assumptions – The net OPEB liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement.

Cost Method	Entry Age Normal (level percent of compensation)
Inflation	Not applicable
Salary increases	Not applicable - plan only covers retirees
Investment rate of return	Not applicable - plan is not pre-funded
20-year Aa Municipal bond rate	4.13% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	Public Teachers 2010 Healthy Retiree, Headcount Weighted, MP-2021

Mortality rates were based on the Public Teachers 2010 Healthy Retiree, headcount weighted, MP-2021 improvement scale.

The long-term rate of return was not determined as the plan is not pre-funded.

Discount rate – The discount rate used to measure the total OPEB liability was 4.13% at June 30, 2023. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability.

School District of the City of River Rouge
Notes to the Financial Statements
June 30, 2023

Changes in Net OPEB Liability

Total OPEB Liability

Interest	\$ 14,406
Differences between expected and actual experience	(13,281)
Changes in assumptions	287
Benefit payments	<u>(29,386)</u>

Net change in total OPEB liability (27,974)

Total OPEB liability - beginning 366,927

Total OPEB liability - ending (a) \$ 338,953

Plan Fiduciary Net Position

Employee contributions	\$ 29,386
Benefit payments and refunds	<u>(29,386)</u>

Net change in plan fiduciary net position -

Plan fiduciary net position - beginning -

Plan fiduciary net position - ending (b) \$ -

Net OPEB liability (a-b) \$ 338,953

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the School District, as well as what the School District’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.18%) or 1% higher (3.18%) than the current discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 359,173</u>	<u>\$ 338,953</u>	<u>\$ 320,856</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the School District, as well as what the School District’s net OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (1.18%) or 1% higher (3.18%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 350,894</u>	<u>\$ 338,953</u>	<u>\$ 328,163</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2023 the employer recognized OPEB expense of \$1,412. The valuation date was performed on the same year end as the School District and, as a result, there were no deferred outflows and inflows for the medical plan.

Payable to the medical plan – At June 30, 2023, the School District had no payables to report to the plan.

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

School District of the City of River Rouge
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 2,687,554	\$ 3,584,518	\$ 2,899,801	\$ (684,717)
State sources	26,583,487	30,292,944	31,009,072	716,128
Federal sources	15,371,332	3,904,716	2,726,668	(1,178,048)
Interdistrict sources	<u>2,139,484</u>	<u>2,150,036</u>	<u>2,278,447</u>	<u>128,411</u>
Total revenues	<u>46,781,857</u>	<u>39,932,214</u>	<u>38,913,988</u>	<u>(1,018,226)</u>
Expenditures				
Instruction				
Basic programs	24,075,126	17,571,713	18,126,154	554,441
Added needs	3,398,358	2,849,824	3,149,120	299,296
Supporting services				
Pupil	3,530,380	3,047,293	3,238,636	191,343
Instructional staff	2,568,117	1,951,429	2,577,988	626,559
General administration	759,356	953,452	952,646	(806)
School administration	1,735,185	1,970,502	1,853,105	(117,397)
Business	467,872	651,679	622,171	(29,508)
Operations and maintenance	2,977,150	3,652,695	3,782,966	130,271
Pupil transportation services	1,843,280	2,354,700	2,962,319	607,619
Central	1,651,771	1,955,501	1,909,270	(46,231)
Athletic activities	396,299	428,790	418,781	(10,009)
Other	149,044	240,484	153,972	(86,512)
Community services	42,019	69,550	86,201	16,651
Facilities acquisition	<u>166,986</u>	<u>6,700</u>	<u>5,875</u>	<u>(825)</u>
Total expenditures	<u>43,760,943</u>	<u>37,704,312</u>	<u>39,839,204</u>	<u>2,134,892</u>
Excess (deficiency) of revenues over expenditures	<u>3,020,914</u>	<u>2,227,902</u>	<u>(925,216)</u>	<u>(3,153,118)</u>

School District of the City of River Rouge
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Uses				
Transfers out	\$ (1,025,983)	\$ (87,419)	\$ -	\$ (87,419)
Net change in fund balance	1,994,931	2,140,483	(925,216)	(3,065,699)
Fund balance - beginning	<u>10,191,994</u>	<u>10,191,994</u>	<u>10,191,994</u>	<u>-</u>
Fund balance - ending	<u>\$ 12,186,925</u>	<u>\$ 12,332,477</u>	<u>\$ 9,266,778</u>	<u>\$ (3,065,699)</u>

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School district's proportion of net pension liability (%)	0.1120%	0.1207%	0.1138%	0.1102%	0.1082%	0.1055%	0.0994%	0.0865%	0.0741%	
B. School district's proportionate share of net pension liability	\$ 42,137,599	\$ 28,569,172	\$ 39,104,660	\$ 36,480,649	\$ 32,514,404	\$ 27,328,094	\$ 24,804,427	\$ 21,117,177	\$ 16,321,764	
C. School district's covered payroll	\$ 12,277,203	\$ 11,331,265	\$ 10,348,114	\$ 9,617,397	\$ 9,351,387	\$ 8,865,185	\$ 8,840,275	\$ 7,154,894	\$ 6,256,871	
D. School district's proportionate share of net pension liability as a percentage of its covered payroll	343.22%	252.13%	377.89%	379.32%	347.70%	308.26%	280.58%	295.14%	260.86%	
E. Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	

Note Disclosures

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

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

**School District of the City of River Rouge
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 3,791,815	\$ 4,367,285	\$ 3,566,911	\$ 3,123,389	\$ 2,929,623	\$ 2,473,500	\$ 1,839,847	\$ 2,201,191	\$ 1,532,564	
B. Contributions in relation to statutorily required contributions	<u>3,791,815</u>	<u>4,367,285</u>	<u>3,566,911</u>	<u>3,123,389</u>	<u>2,929,623</u>	<u>2,473,500</u>	<u>1,839,847</u>	<u>2,201,191</u>	<u>1,532,564</u>	
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. School district's covered payroll	\$ 13,339,031	\$ 12,021,267	\$ 10,855,247	\$ 10,241,129	\$ 9,564,748	\$ 9,184,191	\$ 8,796,239	\$ 8,188,010	\$ 6,957,525	
E. Contributions as a percentage of covered payroll	28.43%	36.33%	32.86%	30.50%	30.63%	26.93%	20.92%	26.88%	22.03%	

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School district's proportion of net OPEB liability (%)	0.1008%	0.1243%	0.1164%	0.1099%	0.1098%	0.1053%				
B. School district's proportionate share of net OPEB liability	\$ 2,135,730	\$ 1,897,471	\$ 6,234,848	\$ 7,889,865	\$ 8,731,183	\$ 9,328,896				
C. School district's covered payroll	\$ 12,277,203	\$ 11,331,265	\$ 10,348,114	\$ 9,617,397	\$ 9,351,387	\$ 8,865,185				
D. School district's proportionate share of net OPEB liability as a percentage of its covered payroll	17.40%	16.75%	60.25%	82.04%	93.37%	105.23%				
E. Plan fiduciary net position as a percentage of total OPEB liability	83.09%	87.33%	59.44%	48.46%	36.39%	36.39%				

Note Disclosures

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

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

**School District of the City of River Rouge
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 952,085	\$ 1,001,590	\$ 895,568	\$ 822,276	\$ 753,762	\$ 820,164				
B. Contributions in relation to statutorily required contributions	<u>952,085</u>	<u>1,001,590</u>	<u>895,568</u>	<u>822,276</u>	<u>753,762</u>	<u>820,164</u>				
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
D. School district's covered payroll	\$ 13,339,031	\$ 12,021,267	\$ 10,855,247	\$ 10,241,129	\$ 9,564,748	\$ 9,184,191				
E. Contributions as a percentage of covered payroll	7.14%	8.33%	8.25%	8.03%	7.88%	8.93%				

School District of the City of River Rouge
Required Supplementary Information
Schedule of the School District's OPEB Liability and Related Ratios
School District of the City of River Rouge Retiree Medical Plan
For the Year Ended June 30

Fiscal year ended June 30,	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Interest	\$ 14,406	\$ 13,623	\$ 17,527	\$ 23,375	\$ 26,809	\$ 26,697
Differences between expected and actual experience	(13,281)	23,409	(34,835)	(165,794)	(53,463)	23,624
Changes in assumptions	287	(277,163)	19,482	796	140,742	3,631
Benefit payments	(29,386)	(35,711)	(36,665)	(37,898)	(42,184)	(59,322)
Net change in total OPEB liability	(27,974)	(275,842)	(34,491)	(179,521)	71,904	(5,370)
Total OPEB liability - beginning	366,927	642,769	677,260	856,781	784,877	790,247
Total OPEB liability - ending (a)	\$ 338,953	\$ 366,927	\$ 642,769	\$ 677,260	\$ 856,781	\$ 784,877
Plan Fiduciary Net Position						
Employee contributions	\$ 29,386	\$ 35,711	\$ 36,665	\$ 37,898	\$ 42,184	\$ 59,322
Benefit payments and refunds	(29,386)	(35,711)	(36,665)	(37,898)	(42,184)	(59,322)
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability (a-b)	\$ 338,953	\$ 366,927	\$ 642,769	\$ 677,260	\$ 856,781	\$ 784,877
Plan fiduciary net position as a percentage of total OPEB liability	-	-	-	-	-	-
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability as a percentage of covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

*GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**School District of the City of River Rouge
Required Supplementary Information
Schedule of the School District's Employer Contributions
School District of the City of River Rouge Retiree Medical Plan
For the Year Ended June 30**

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2023	\$ 29,386	\$ 29,386	\$ -	-	-
2022	29,386	29,386	-	-	-
2021	36,665	36,665	-	-	-
2020	37,898	37,898	-	-	-
2019	42,184	42,184	-	-	-
2018	59,322	59,322	-	-	-

Notes to Schedule of Contributions

Valuation date:

June 30, 2023

Notes:

Plan contributions are calculated based on claims made throughout the plan fiscal year on a pay-as-you-go basis.

Methods and assumptions used to determine contribution rates:

Cost Method	Entry Age Normal (level percent of compensation)
Asset valuation method	Not applicable; plan is not pre-funded
Inflation	Not applicable
Salary increases	Not applicable - plan only covers retirees
Investment rate of return	Not applicable - plan is not pre-funded
20-year Aa Municipal bond rate	4.13% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	Public Teachers 2010 Healthy Retiree, Headcount Weighted, MP-2021

OTHER SUPPLEMENTARY INFORMATION

School District of the City of River Rouge
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Student Activities	
Assets			
Cash and cash equivalents	\$ -	\$ 6,321	\$ 6,321
Due from other funds	742,013	-	742,013
Due from other governmental units	83,107	-	83,107
	<u>825,120</u>	<u>6,321</u>	<u>831,441</u>
Total assets	<u>\$ 825,120</u>	<u>\$ 6,321</u>	<u>\$ 831,441</u>
Liabilities			
Accounts payable	\$ 35,172	\$ 16,657	\$ 51,829
Due to other funds	-	16,374	16,374
	<u>35,172</u>	<u>33,031</u>	<u>68,203</u>
Total liabilities	<u>35,172</u>	<u>33,031</u>	<u>68,203</u>
Fund Balances			
Restricted for			
Food service	789,948	-	789,948
Unassigned (deficit)	-	(26,710)	(26,710)
	<u>789,948</u>	<u>(26,710)</u>	<u>763,238</u>
Total fund balances (deficit)	<u>789,948</u>	<u>(26,710)</u>	<u>763,238</u>
Total liabilities and fund balances	<u>\$ 825,120</u>	<u>\$ 6,321</u>	<u>\$ 831,441</u>

School District of the City of River Rouge
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Student Activities	
Revenues			
Local sources	\$ 55,950	\$ 212,449	\$ 268,399
State sources	67,001	-	67,001
Federal sources	1,673,890	-	1,673,890
	<u>1,796,841</u>	<u>212,449</u>	<u>2,009,290</u>
Expenditures			
Current			
Education			
Food services	2,113,625	-	2,113,625
Student and school activities	-	226,945	226,945
	<u>2,113,625</u>	<u>226,945</u>	<u>2,340,570</u>
Total expenditures			
	<u>2,113,625</u>	<u>226,945</u>	<u>2,340,570</u>
Net change in fund balances	(316,784)	(14,496)	(331,280)
Fund balances (deficit) - beginning	1,106,732	(12,214)	1,094,518
Fund balances (deficit) - ending	<u>\$ 789,948</u>	<u>\$ (26,710)</u>	<u>\$ 763,238</u>

School District of the City of River Rouge

Single Audit Report

June 30, 2023



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**BUSINESS SUCCESS
PARTNERS**

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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

Management and the Board of Education
School District of the City of River Rouge
River Rouge, 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 the School District of the City of River Rouge as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District of the City of River Rouge's basic financial statements, and have issued our report thereon dated November 7, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District of the City of River Rouge's 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District of the City of River Rouge's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of River Rouge's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether School District of the City of River Rouge 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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
November 7, 2023



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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

Management and the Board of Education
School District of the City of River Rouge
River Rouge, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited School District of the City of River Rouge's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of School District of the City of River Rouge's major federal programs for the year ended June 30, 2023. School District of the City of River Rouge's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, School District of the City of River Rouge 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, 2023.

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 (GAAS); 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 School District of the City of River Rouge 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 School District of the City of River Rouge's 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 grant agreements applicable to School District of the City of River Rouge's 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 School District of the City of River Rouge's 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 School District of the City of River Rouge's 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 School District of the City of River Rouge's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of School District of the City of River Rouge's 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 School District of the City of River Rouge's 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 School District of the City of River Rouge, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise School District of the City of River Rouge's basic financial statements. We issued our report thereon dated November 7, 2023, which contained unmodified opinions on those financial statements. Our audit was performed 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
November 7, 2023

School District of the City of River Rouge
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Pass-through / Grantor Number	Approved Award Amount	Accrued (Unearned) Revenue at July 1, 2022	(Memo Only) Prior Year Expenditures	Adjustments	Federal Expenditures	Federal Funds / Payments In-Kind Received	Accrued (Unearned) Revenue at June 30, 2023
U.S. Department of Agriculture									
Passed through the Michigan Department of Education									
Child Nutrition Cluster:									
Non-Cash Assistance									
Entitlement Commodities	10.555	N/A	\$ 87,019	\$ -	\$ -	\$ -	\$ 87,019	\$ 87,019	\$ -
Cash Assistance									
National School Lunch Program, Seamless Summer Option	10.555	221961	710,984	52,409	710,984	-	-	52,409	-
National School Lunch Program	10.555	221960	118,064	-	-	-	118,064	118,064	-
National School Lunch Program	10.555	231960	905,660	-	-	-	905,660	874,712	30,948
National School Lunch Program, Supply Chain Assistance	10.555	220910	91,206	-	45,219	-	45,987	45,987	-
National School Lunch Program, Supply Chain Assistance	10.555	230910	24,224	-	-	-	24,224	24,224	-
				<u>52,409</u>	<u>756,203</u>	<u>-</u>	<u>1,093,935</u>	<u>1,115,396</u>	<u>30,948</u>
National School Breakfast Program, Seamless Summer Option	10.553	221971	233,601	17,024	233,601	-	-	17,024	-
National School Breakfast Program	10.553	221970	40,491	-	-	-	40,491	40,491	-
National School Breakfast Program	10.553	231970	354,437	-	-	-	354,437	342,286	12,151
				<u>17,024</u>	<u>233,601</u>	<u>-</u>	<u>394,928</u>	<u>399,801</u>	<u>12,151</u>
Summer Food Service Program	10.559	230900	31,045	-	-	-	31,045	-	31,045
Total Child Nutrition Cluster				<u>69,433</u>	<u>989,804</u>	<u>-</u>	<u>1,606,927</u>	<u>1,602,216</u>	<u>74,144</u>
Child and Adult Care Food Program	10.558	221920	40,362	179	40,362	-	-	179	-
Child and Adult Care Food Program	10.558	222010	2,868	13	2,868	-	-	13	-
Child and Adult Care Food Program	10.558	231920	59,406	-	-	-	59,406	51,064	8,342
Child and Adult Care Food Program	10.558	232010	4,422	-	-	-	4,422	3,801	621
				<u>192</u>	<u>43,230</u>	<u>-</u>	<u>63,828</u>	<u>55,057</u>	<u>8,963</u>
COVID-19 Pandemic EBT Local Level Costs	10.649	220980	3,135	-	-	-	3,135	3,135	-
Total U.S. Department of Agriculture				<u>69,625</u>	<u>1,033,034</u>	<u>-</u>	<u>1,673,890</u>	<u>1,660,408</u>	<u>83,107</u>
U.S. Department of Defense									
Direct Program - JROTC									
2021-22	UNKNOWN	N/A	83,167	20,891	83,167	-	-	20,891	-
2022-23	UNKNOWN	N/A	111,572	-	-	-	111,572	94,067	17,505
				<u>20,891</u>	<u>83,167</u>	<u>-</u>	<u>111,572</u>	<u>114,958</u>	<u>17,505</u>
U.S. Department of Health and Human Services									
Passed through Wayne RESA									
Medicaid Cluster									
2022-23	93.778	N/A	3,793	-	-	-	3,793	3,041	752

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

School District of the City of River Rouge
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Pass-through / Grantor Number	Approved Award Amount	Accrued (Unearned) Revenue at July 1, 2022	(Memo Only) Prior Year Expenditures	Adjustments	Federal Expenditures	Federal Funds / Payments In-Kind Received	Accrued (Unearned) Revenue at June 30, 2023
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I, Part A - Grants to Local Educational Agencies									
2021-22	84.010	221530	1,487,975	\$ 290,609	\$ 1,259,393	\$ -	\$ -	\$ 290,609	\$ -
2022-23	84.010	231530	1,681,750	-	-	-	1,412,450	-	1,412,450
				<u>290,609</u>	<u>1,259,393</u>	<u>-</u>	<u>1,412,450</u>	<u>290,609</u>	<u>1,412,450</u>
Title II, Part A - Supporting Effective Instruction State Grants									
2021-22	84.367	220520	162,069	956	126,852	-	-	956	-
2022-23	84.367	230520	161,570	-	-	-	161,570	-	161,570
				<u>956</u>	<u>126,852</u>	<u>-</u>	<u>161,570</u>	<u>956</u>	<u>161,570</u>
Title IV, Part A - Student Support and Academic Enrichment									
2021-22	84.424	220750	110,419	13,800	13,800	-	-	13,800	-
2022-23	84.424	230750	130,404	-	-	-	26,700	-	26,700
				<u>13,800</u>	<u>13,800</u>	<u>-</u>	<u>26,700</u>	<u>13,800</u>	<u>26,700</u>
Education Stabilization Fund									
Elementary and Secondary School Emergency Relief Fund (ESSER)									
COVID-19 - ESSER II Formula Funds									
	84.425D	213712	4,521,566	431,146	1,901,884	-	2,619,680	643,191	2,407,635
COVID-19 - ESSER II Summer Programming									
	84.425D	213722	154,550	148,826	-	-	-	148,826	-
COVID-19 - ESSER II Credit Recovery									
	84.425D	213742	53,900	25,128	-	-	-	25,128	-
COVID-19 - ESSER II Before and After									
	84.425D	213752	25,000	9,670	-	-	-	9,670	-
COVID-19 - ESSER II Learning Loss									
	84.425D	213782	1,034	-	-	-	1,034	-	1,034
Total Education Stabilization Fund				<u>614,770</u>	<u>1,901,884</u>	<u>-</u>	<u>2,620,714</u>	<u>826,815</u>	<u>2,408,669</u>
Total passed through Michigan Department of Education				<u>920,135</u>	<u>3,301,929</u>	<u>-</u>	<u>4,221,434</u>	<u>1,132,180</u>	<u>4,009,389</u>
Passed through Wayne RESA									
Special Education Cluster:									
Special Educations Grants to States:									
2021-22 IDEA Flowthrough	84.027	220450	868,520	353,219	868,520	(6,246)	-	340,727	6,246
2022-23 IDEA Flowthrough	84.027	230450	682,863	-	-	-	689,109	531,560	157,549
				<u>353,219</u>	<u>868,520</u>	<u>(6,246)</u>	<u>689,109</u>	<u>872,287</u>	<u>163,795</u>
Passed through Marquette-Alger RESA									
Special Education Cluster:									
Special Educations Grants to States:									
IDEA Grant Funded Initiatives	84.027A	230470	2,048	-	-	-	2,048	2,048	-
Total Special Education Cluster				<u>353,219</u>	<u>868,520</u>	<u>(6,246)</u>	<u>691,157</u>	<u>874,335</u>	<u>163,795</u>
Total U.S. Department of Education				<u>1,273,354</u>	<u>4,170,449</u>	<u>(6,246)</u>	<u>4,912,591</u>	<u>2,006,515</u>	<u>4,173,184</u>
Total Federal Financial Assistance				<u>\$ 1,363,870</u>	<u>\$ 5,286,650</u>	<u>\$ (6,246)</u>	<u>\$ 6,701,846</u>	<u>\$ 3,784,922</u>	<u>\$ 4,274,548</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

School District of the City of River Rouge
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School District of the City of River Rouge under programs of the federal government for the year ended June 30, 2023. 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 the School District of the City of River Rouge, it is not intended to and does not present the financial position, or changes in financial position of the School District of the City of River Rouge.

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.

Indirect Cost Rate

The School District of the City of River Rouge has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Reconciliation to the Financial Statements

The Federal revenues reported on the financial statements reconcile with expenditures reported on the SEFA as shown:

Expenditures per the schedule of expenditures of federal awards		\$ <u>6,701,846</u>
Due from other governments not received within 60 days		
Direct Program - JROTC	N/A	20,891
Title I, Part A - Grants to Local Educational Agencies	221530	290,609
Title I, Part A - Grants to Local Educational Agencies	231530	(1,412,450)
Title II, Part A - Supporting Effective Instruction State Grants	220520	956
Title II, Part A - Supporting Effective Instruction State Grants	230520	(161,570)
Title IV, Part A - Student Support and Academic Enrichment	220750	13,800
Title IV, Part A - Student Support and Academic Enrichment	230750	(26,700)
COVID-19 - ESSER II Formula Funds	213712	431,146
COVID-19 - ESSER II Formula Funds	213712	(2,407,635)
COVID-19 - ESSER II Summer Programming	213722	148,826
COVID-19 - ESSER II Credit Recovery	213742	25,128
COVID-19 - ESSER II Before and After	213752	9,670
COVID-19 - ESSER II Learning Loss	213782	(1,034)
		<u>(3,068,363)</u>
Federal awards received as a beneficiary		
Local Education Agency Partnership		767,075
Federal revenues per the financial statements		<u>\$ 4,400,558</u>

School District of the City of River Rouge
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 4 – Subrecipients

No amounts were provided to subrecipients.

Note 5 – Michigan Department of Education Disclosures

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

The federal amounts reported on the CMS Grant Auditor Report (GAR) are reconcile to the SEFA as follows:

Program	Program Number	Reported on Grant Auditor Report	Reported on Schedule of Expenditures of Federal Awards	Variance Due to Timing of Deposits
National School Lunch Program, Seamless Summer Option	221961	\$ -	\$ 52,409	\$ (52,409)
National School Breakfast Program, Seamless Summer Option	221971	-	17,024	(17,024)
Child and Adult Care Food Program	221920	-	179	(179)
Child and Adult Care Food Program	222010	-	13	(13)
		<u>\$ -</u>	<u>\$ 69,625</u>	<u>\$ (69,625)</u>

School District of the City of River Rouge
Schedule of Findings and Questioned Costs
June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor 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? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? yes no
- Significant deficiency (s) identified that are not considered to be material weakness (es)? yes none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?

yes no

Identification of major programs:

Assistance Listing Number(s)
 10.553, 10.555, 10.559
 84.425D

Name of Federal Program or Cluster
 Child Nutrition Cluster
 Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes no

School District of the City of River Rouge
Schedule of Findings and Questioned Costs
June 30, 2023

Section II - Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2023.

Section III - Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.

School District of the City of River Rouge
Summary Schedule of Prior Audit Findings
June 30, 2023

Section IV - Prior Audit Findings

Government Auditing Standards Findings

Finding 2022-001, 2021-002: Material Weakness in Internal Control Over Financial Reporting and Material Noncompliance – Unfavorable Budget Variances

Criteria: 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”.

Status: The current year budget overages are not considered material.

Finding 2022-002: Material Weakness in Internal Controls Over Financial Reporting – ORS Contributions and Reconciliations

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

Status: The School District has corrected this issue for the year ended June 30, 2023.

Federal Award Findings

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



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November 7, 2023

Management and the Board of Education
School District of the City of River Rouge
River Rouge, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of River Rouge (the School District) as of and for the year ended June 30, 2023. 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, *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 13, 2023. 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. School District has adopted the following Governmental Accounting Standards Board Statements effective July 15, 2022.

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

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.
- Medical OPEB 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 auditors' 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 accounting standard
- Decentralized cash collections
- Information technology controls
- Turnover in the business office

Accounting Standards and Regulatory Updates

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

Implementation Guide No 2021-1, *Implementation Guidance Update-2021* has an amended response related to the capitalization of assets purchased as a group. Under the amended guidance, governments *should* capitalize individual items when the purchase in the aggregate is considered significant, even if the individual items are less than the capitalization threshold of the government. The effective date for implementation is for reporting periods beginning after June 15, 2023 (effectively, for the first year ended June 30, 2024 or later) and requires retroactive implementation.

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 and communicate them to the appropriate level of management. Management has corrected all such misstatements. There were no known uncorrected misstatements that were more than trivial.

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements except as discussed below.

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.

District-Wide Financial Statements Description	Over (Under) Stated					
	Total Assets	Total Liabilities	Beginning Net Position	Revenues	Expenditures	Change in Net Position
Record right to use building and lease	\$ (199,368)	\$ (199,368)	\$ -	\$ -	\$ -	\$ -
Disposal of asset in prior year	-	-	(100,000)	-	(100,000)	100,000
	<u>\$ (199,368)</u>	<u>\$ (199,368)</u>	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 100,000</u>

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 auditors' 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 the School District of the City of River Rouge (the School District) as of and for the year ended June 30, 2023, 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 and compliance. This letter does not affect our report dated date, on the financial statements of the School District of the City of River Rouge.

Budgetary Monitoring

During our audit procedures, we noted that the ESSER II Credit Recovery 9-12 grant was overspent by function code. The MDE requires a budget amendment when costs exceed budget by function by over 10%. We recommend that the District review MDE-approved budgets for compliance prior to the end of the grant, and submit a budget amendment when necessary.

Student Activity Fund Balances

The School District has an accumulated fund balance deficit in the Student Activities Fund in the amount of \$26,710 as of June 30, 2023 which is an indication that student activities owe money to the Student Activities Fund. It is a best practice, and fiscally responsible to not allow student activities to maintain negative balances. We recommend monitoring controls be implemented to ensure the various student activities do not owe the fund money.

Untimely Deposits of Decentralized Cash Collections

As part of our audit procedures, we walked through the transactions related to a football game and noted that the cash collected were deposited approximately three months after the cash were collected which is not considered timely. We then expanded our testing to determine if this was isolated and noted two additional instances of untimely athletic deposits. We recommend that more attention is given to the deposits to ensure they are not lingering on hand and are deposited timely into the bank.

Monitoring of Internal Controls

As part of our audit procedures, we selected one payroll transaction for a walkthrough and noted that the timesheets were not signed by the Administrative Assistant or School Principal per procedures historically in place at the District. We recommend the District require evidence of review prior to processing of payroll, to ensure employees' timesheet hours are correct.

During our walkthroughs of disbursements, we noted a lack of documented approval of the invoice and journal entry related to the selected transaction. We recommend the District require evidence of review prior to processing disbursements to ensure amounts paid are correct and that the invoice being paid is for an expense incurred by the District.

Credit Card Testing

During our testing of credit card transactions, we noted that multiple transactions did not have any supporting documentation showing the business purpose of the transaction. Receipts, when present, did not always have enough detail to indicate whether there was a proper business purpose.

We recommend that the District follow their credit card use policy and require supporting receipts or other documentation to support the purchases and that the business purpose is lawful. Documentation should be retained for all credit card purchases and in the rare instance support cannot be provided, a formal process for approval of transactions without support should be implemented.

Documentation of Procurement

As part of our audit procedures, we consider the School District's compliance with its procurement policies. We noted Federal expenditures for the Ann Visger kitchen remodel which, based on the School District's procurement policy, should have received and evaluated competitive quotations before selecting a vendor. The School District could only provide documentation of one board member's evaluation sheet, ultimately for the vendor who was selected to provide the remodel. If multiple competitive quotations were received, they should be maintained and the basis for selecting the vendor should be documented if it is not the lowest bidder. If only one competitive quotation was received and the School District feels it is reasonable, the basis for that selection should also be documented.

Allowable and Unallowable Costs – Education Stabilization Fund and Child Nutrition Cluster

During our testing of the Education Stabilization Fund we noted the following:

- Of our sample of 40 transactions, 1 expenditure for an immaterial amount was charged to the Federal award but was not included in that Federal award's approved budget. The School District should only incur expenditures in accordance with the Michigan Department of Education (MDE) approved budgets.
- Of our sample of 40 transactions, we noted 12 disbursements were not approved prior to payment. The District should only pay invoices that have been properly approved by the Business Manager.
- Of our sample of 40 transactions, we noted 1 expenditure was charged to the grant code reserved for Governor's Emergency Education Relief (GEER) funds. Upon discussion with the Business Manager, it was noted that the expenditure was not truly a Federal expenditure as Federal funds were not requested relating to the expenditure. The District should follow the MDE Chart of Accounts and only charge Federal expenditures to Federal grant codes.

During our testing of the Child Nutrition Cluster we noted the following:

- Of our sample of 40 transactions, we noted 4 disbursements were not approved prior to payment. The District should only pay invoices that have been properly approved by the Business Manager.

Escheat Laws

The state of Michigan requires that unclaimed property, of which the most common are uncashed payroll and vendor checks, be turned over to the state after a certain dormancy period which is one year for payroll checks and three years for most other unclaimed property. It was noted during our audit procedures that various checks were over the dormancy period and had not been remitted to the State. We recommend the District perform reconciliations and remit unclaimed Property to the State once the dormancy period is over.

Financial Reporting

The State of Michigan requires School Districts to submit their audited financial statements and financial information database (FID) by November 1 of each year. The School District was unable to complete year end close timely and provide sufficient workpapers for the audit to meet the November 1 deadline. The School District is unable to receive state aid payments from the State of Michigan for the new school year until the financial statements and FID are filed. We recommend the School District ensure it has sufficient personnel and procedures in place to accumulate the necessary financial information in a timely manner and enable submission of the financial statements and FID by the State's required deadline.