

Romeo Community Schools

Financial Statements

June 30, 2024



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

Management and the Board of Education
Romeo Community Schools
Romeo, 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 Romeo Community Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Romeo Community Schools' basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Romeo Community Schools, as of June 30, 2024, 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 Romeo Community Schools, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Romeo Community Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Romeo Community Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability (asset), and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Romeo Community Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2024 on our consideration of Romeo Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Romeo Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Romeo Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
September 16, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Romeo Community Schools Management's Discussion and Analysis June 30, 2024

This section of Romeo Community Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2024. Please read this in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Romeo Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund and 2022 Facility Bond Fund, with all other funds presented in one column as nonmajor funds. The format of the annual report is as follows:

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

Basic Financial Statements
Government-wide Financial Statements
Fund Financial Statements

Notes to the Financial Statements

Budgetary Information for Major Funds
(Required Supplementary Information)

Other Supplementary Information

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

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

**Romeo Community Schools
Management's Discussion and Analysis
June 30, 2024**

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

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

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2024 and 2023:

TABLE 1	<u>Governmental Activities</u>	
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Assets		
Current assets	\$ 78,800,002	\$ 89,077,583
Capital assets	163,060,676	144,535,414
Net OPEB asset	<u>1,902,825</u>	<u>-</u>
Total assets	<u>243,763,503</u>	<u>233,612,997</u>
Deferred Outflows of Resources		
Deferred amount relating to net pension liability	34,659,823	38,078,098
Deferred amount relating to net OPEB liability or asset	<u>7,678,447</u>	<u>10,694,895</u>
Total deferred outflows of resources	<u>42,338,270</u>	<u>48,772,993</u>
Liabilities		
Current liabilities	17,954,976	11,825,393
Long-term liabilities	<u>235,666,484</u>	<u>264,436,917</u>
Total liabilities	<u>253,621,460</u>	<u>276,262,310</u>
Deferred Inflows of Resources		
Deferred amount relating to net pension liability	17,689,597	6,094,516
Deferred amount relating to net OPEB liability or asset	<u>15,012,189</u>	<u>14,699,120</u>
Total deferred inflows of resources	<u>32,701,786</u>	<u>20,793,636</u>
Net Position		
Net investment in capital assets	75,164,744	65,773,371
Restricted	6,964,567	5,777,850
Unrestricted	<u>(82,350,784)</u>	<u>(86,221,177)</u>
Total net position	<u>\$ (221,473)</u>	<u>\$ (14,669,956)</u>

**Romeo Community Schools
Management's Discussion and Analysis
June 30, 2024**

Table 1 focuses on the net position. The change in net position (see Table 2) of the School District's governmental activities is discussed later in this section. The School District's net position was (\$221,473) at June 30, 2024. Net investment in capital assets totaling \$75,164,744 compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position was unrestricted.

The (\$82,350,784) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. Also impacting the net position in fiscal year 2024 and 2023 were the net pension and net OPEB liabilities or assets activities. The net pension liability was \$109,640,658 and the net OPEB asset was \$1,902,825 at June 30, 2024, contributing to a deficit unrestricted net position of (\$82,350,784).

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal year 2024 and 2023.

TABLE 2

	Governmental Activities	
	June 30, 2024	June 30, 2023
Revenue		
Program revenue:		
Charges for services	\$ 1,630,050	\$ 3,109,815
Operating grants and contributions	26,531,050	24,527,315
General revenue:		
Property taxes	22,663,621	20,899,420
State aid - unrestricted	41,151,801	39,708,557
Special education millage	3,592,203	3,538,223
Interest and investment earnings	3,965,979	2,643,113
Other	348,446	285,658
Total revenue	<u>99,883,150</u>	<u>94,712,101</u>
Functions/Program Expenses		
Instruction	46,745,254	55,140,505
Supporting services	30,301,439	19,513,496
Food services	2,863,551	2,363,087
Community services	1,822,109	3,727,584
Interest on long-term debt	3,702,314	3,771,593
Total functions/program expenses	<u>85,434,667</u>	<u>84,516,265</u>
Change in net position	14,448,483	10,195,836
Net position - beginning	<u>(14,669,956)</u>	<u>(24,865,792)</u>
Net position - ending	<u>\$ (221,473)</u>	<u>\$ (14,669,956)</u>

**Romeo Community Schools
Management's Discussion and Analysis
June 30, 2024**

As reported in the statement of activities, the cost of all of our governmental activities this year was \$85,434,667. Certain activities were partially funded from those who benefited from the programs of \$1,630,050 or by other governments and organizations that subsidized certain programs with grants and contributions of \$26,531,050. We paid for the remaining "public benefit" portion of our governmental activities with \$22,663,621 in taxes, \$41,151,801 in unrestricted State Aid, and \$7,906,628 with our other revenues, i.e., interest and general entitlements.

The School District experienced an increase in net position of \$14,448,483. The key reasons for the change in net position was due, in part, as in the previous FY, to the increase in revenues through our State Aid increase and additional grant funding, as well as, interest and investment earnings. Taxable values continue to show strong growth, generating increased property tax revenue.

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$62,738,827, which is a decrease of \$15,309,066 from last year. The primary reason for the decrease in the combined fund balance is the use of the 2022 Facility Bond proceeds for capital projects throughout the district. The projects of Group 1 are additions to some elementary buildings and to the Crowell Early Childhood Center. Most Group 1 projects are complete and will be ready for students in the Fall of 2024. The 2022 Facility Bond projects for FY 2024 have moved to Group 2 projects including 2 additional elementary buildings with additions, a Robotics & STEM Center at Romeo Middle School, and both High School and Middle School athletic field improvements.

In the General Fund, our principal operating fund, the fund balance increased \$4,677,979 during 2024. The change in fund balance is mainly due to the district's ability to continue to utilize the Elementary & Secondary School Emergency Relief (ESSER) funds to provide additional support for students regarding learning loss and mental health. The district has also utilized some additional State funding (31aa Mental Health) to provide added supports for students. The district also received 22I District Transportation Costs funding through the State, for the first time the district is being compensated for the added expenses of transporting students in a rural district. In addition, the district received (27I Educator Compensation Program) funding to offset some costs for wage increases for FY24. All of these added revenue sources has allowed the district to secure fund balance for future needs of students when Federal assistance is no longer available.

Our Special Revenue Funds had a net decrease of \$335,021 in fund balance. The Food Services Fund increased its fund balance by \$144,311 primarily due to the State providing funding to complement the Federal free meals program. The Food Service Fund returned to free breakfast and lunch for all students for 2024. The program is supplemented by the State after the federal reimbursement claims are reported. This has allowed the program to continue to serve meals to all students and the increase in participation allows the program to invest in new equipment and increase the quality of the products served. The Food Service fund is expecting to continue to offer free breakfast and lunch provided to all students in the 2025 State Budget Proposal. The Community Services Fund, which includes community facility use services and early childhood services, including after school care and preschool programs, as well as, infant and toddler care, had a decrease in fund balance of \$705,408. The Community Service fund is no longer receiving support from the Childcare Relief Fund. These funds were vital to the program as it slowly returned to pre pandemic levels of attendance in the child care program. The expansion of the center will allow the programs to continue to grow and allow for the Community Service Fund to return to be a self-sustaining program.

**Romeo Community Schools
Management's Discussion and Analysis
June 30, 2024**

Combined, the Debt Service Funds showed a fund balance increase of \$887,096. This increase is primarily due to increase taxable values within the district boundaries.

General Fund Budgetary Highlights

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

There were revisions made to the 2023-2024 General Fund original budget. Revenues were adjusted to account for increases in State revenue that were in the State's budget that was adopted after June 30, 2023. Also, Federal grants revenue were adjusted for CARES Act funding that was allocated to 2024 expenditures.

There were variances between the final budget and actual amounts. At the end of the 2023-2024 fiscal year, and after the final General Fund budget was adopted, the variance was due to continued cautious projected year end expenses and to some planned expenses were not able to be spent in the fiscal year prior to year-end.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2024, the School District had \$163,060,676 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of \$18,525,262.

	2024	2023
Land	\$ 461,702	\$ 461,702
Construction in progress	24,125,421	8,243,913
Buildings and building improvements	171,854,052	167,853,861
Land improvements	8,858,336	8,798,985
Buses and other vehicles	6,007,180	5,962,537
Furniture and equipment	32,590,546	27,060,046
Right to use asset - subscription arrangements	387,989	387,989
 Total capital assets	 244,285,226	 218,769,033
 Less accumulated depreciation	 (81,224,550)	 (74,233,619)
 Net capital assets	 \$ 163,060,676	 \$ 144,535,414

This year's net addition is a combination of the use of the 2022 Facilities Bond project additions and its Construction in Progress. Projects that were completed in FY 2024 were the 3-classroom addition to Hamilton Parsons Elementary and the 10,000-sf addition to the Crowell Early Childhood Center. An addition to Indian Hills Elementary is nearing completion, and additions to Amanda Moore Elementary, Washington Elementary, and the Robotics and STEM Center at Romeo Middle School, and athletic field improvements at the High School and Middle School, all have contributed to the increase in Construction in progress increases. The district has also invested significant dollars to update furniture and equipment at all of the buildings.

**Romeo Community Schools
Management’s Discussion and Analysis
June 30, 2024**

Debt

At the end of this year, the School District had \$111,820,000 in bonds outstanding versus \$116,345,000 in the previous year. Those bonds consisted of the following:

	2024	2023
General obligation bonds	\$ 111,820,000	\$ 116,345,000

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

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

Economic Factors and Next Year’s Budget and Rates

Our Board of Education and administration consider many factors when setting the School District’s 2024-2025 fiscal year budget. Pupil enrollment projections, District Priorities as developed by the District Leadership Team, and the economic outlook at the State and National level.

At the time the District’s budget was approved by the Board of Education, the State budget had not been adopted. In July 2024, the Governor signed the FY 2024-25 School Aid Bill. The Governor’s Budget initially proposed a \$241 per pupil increase in foundation allowance, taking the targeted foundation allowance from \$9,608 to \$9,849. The district built the budget for 2025 based on this proposal. However, in late June, the Governor’s proposed budget looked much

different. The State Budget maintained the per pupil foundation allowance at \$9,608 per pupil and shifted revenue increase sources to District’s from the foundation allowance to decreases in the MPERS UAAL Rate Cap. The impact on districts is still being analyzed. The State has announced that its budget nets a \$400 per pupil equivalent for districts. To further complicate matters, the State budget does not include 31aa Student Mental Health and Safety funding, which represents a \$215 per pupil loss to districts. As the implications of the State’s adopted budget are better known in the coming months, the district will calculate the impact for Romeo Community Schools and amend the budget as appropriate.

The district continues to offer the Romeo Virtual Academy for students grades 6-12 for those families that seek an alternative to in-person learning. There has been significant growth in the program over the past two years and it serves as successful path and the right fit some for students to graduate.

As in 2024, the district continued to receive funding from the Federal Government under the CARES Act in the form of Elementary and Secondary School Emergency Relief Funds (ESSER), these funds were to provide districts with funding to pay for the added costs of educating students, addressing learning loss and assisting student with mental health concerns caused the pandemic. This funding was passed through the State of Michigan, through ESSER II and ESSER III allocations. The Federal funds were allocated based on formula that includes 2020-2021 Title I, Part A allocation. The State also passed through some of their federal funding to schools in an effort to equalize the Federal formula and provide additional funding to districts with low Title I formula allocations. Romeo Community Schools was allocated these additional equalization dollars to bring the District’s total allocation to a minimum funding established by the State. In total, the District received an allocation of \$8 million in ESSER II and ESSER III funds. The District has been committed to using these funds in accordance with the established allowable uses funding programs that target learning loss and mental health supports for students. ESSER II fund were completely expended in 2024. The remaining ESSER III

Romeo Community Schools Management's Discussion and Analysis June 30, 2024

funds have been committed to be fully expended in 2025. District Administration is planning for transferring costs funded with the ESSER grants back into the General Fund and is already under consideration for the 2025 fiscal year.

Beginning in the 2023-2024 FY, the State has implemented universal free breakfast and lunch, and for the 2024-2025 FY the State has established funding to continue to the ability for students to be able to eat breakfast and lunch at no charge for 2024-2025 school year.

In addition, 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 2025 fiscal year will continue to be 90% of the Fall count and 10% of the previous Spring count. The 2024-2025 budget was adopted in June 2024, based on an estimate of students that will be enrolled in October 2024. Approximately 75 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations.

The district, as of June 30, 2024, has been in contract negotiations with the REA Teachers Union. To date, the contract is being negotiated as a multi-year agreement. There are no other contracts currently open. The financial impact of this contract settlement has been estimated and has been incorporated in 2024-2025 FY adopted budget, any variances will be accounted for in future budget amendments.

In November, 2021, Romeo Community Schools voters approved the issuance of School Building and Site Bonds for \$87.5 million. The bonds are to be sold in two series, the first being sold in February, 2022. The many of the planned projects include an addition to the Croswell Early Childhood Center, additions to several of the elementary schools, a Robotics/STEM Center at Romeo Middle School, as well as, many other improvements to buildings and learning spaces throughout the

district. The second series of bonds is set to be sold in November 2024, with a third series slated to be sold in the Spring of 2025.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

Romeo Community Schools
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
Assets	
Cash	\$ 27,394,786
Accounts receivable	48,446
Due from other governmental units	12,758,901
Inventory	150,662
Investments	38,354,107
Prepaid items	93,100
Capital assets not being depreciated	24,587,123
Capital assets - net of accumulated depreciation	138,473,553
Net OPEB asset	<u>1,902,825</u>
 Total assets	 <u>243,763,503</u>
 Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	34,659,823
Deferred amount relating to the net OPEB asset	<u>7,678,447</u>
 Total deferred outflows of resources	 <u>42,338,270</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Statement of Net Position
June 30, 2024

	Governmental Activities
Liabilities	
Accounts payable	\$ 5,507,216
Due to other governmental units	1,176,043
Payroll deductions and withholdings	15,213
Accrued expenditures	1,944,912
Accrued salaries payable	6,374,137
Unearned revenue	2,937,455
Long-term liabilities	
Net pension liability	109,640,658
Due within one year	5,457,318
Due in more than one year	<u>120,568,508</u>
Total liabilities	<u>253,621,460</u>
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	17,689,597
Deferred amount relating to the net OPEB asset	<u>15,012,189</u>
Total deferred inflows of resources	<u>32,701,786</u>
Net Position	
Net investment in capital assets	75,164,744
Restricted for:	
Food service	1,308,046
Debt service	1,253,598
Capital projects	4,402,923
Unrestricted	<u>(82,350,784)</u>
Total net position	<u>\$ (221,473)</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Statement of Activities
For the Year Ended June 30, 2024

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Governmental activities				
Instruction	\$ 46,745,254	\$ -	\$ 14,620,835	\$ (32,124,419)
Supporting services	30,301,439	416,692	9,146,777	(20,737,970)
Food services	2,863,551	315,577	2,763,438	215,464
Community services	1,822,109	897,781	-	(924,328)
Interest and fiscal charges on long-term debt	3,702,314	-	-	(3,702,314)
Total governmental activities	<u>\$ 85,434,667</u>	<u>\$ 1,630,050</u>	<u>\$ 26,531,050</u>	<u>(57,273,567)</u>
General revenues				
Property taxes, levied for general purposes				9,451,841
Property taxes, levied for debt service				10,146,961
Property taxes, levied for sinking fund				3,064,819
State aid - unrestricted				41,151,801
Interest and investment earnings				3,965,979
Other				3,940,649
Total general revenues				<u>71,722,050</u>
Change in net position				14,448,483
Net position - beginning				<u>(14,669,956)</u>
Net position - ending				<u>\$ (221,473)</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	2022 Facility Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 15,974,865	\$ 1,356,844	\$ 10,063,077	\$ 27,394,786
Accounts receivable	43,913	-	4,533	48,446
Due from other funds	-	357,207	599,407	956,614
Due from other governmental units	12,758,901	-	-	12,758,901
Inventory	108,777	-	41,885	150,662
Investments	-	38,354,107	-	38,354,107
Prepaid items	93,100	-	-	93,100
	<u>28,979,556</u>	<u>40,068,158</u>	<u>10,708,902</u>	<u>79,756,616</u>
Total assets	<u>\$ 28,979,556</u>	<u>\$ 40,068,158</u>	<u>\$ 10,708,902</u>	<u>\$ 79,756,616</u>
Liabilities				
Accounts payable	\$ 531,613	\$ 4,620,897	\$ 354,706	\$ 5,507,216
Due to other funds	956,614	-	-	956,614
Due to other governmental units	1,176,043	-	-	1,176,043
Payroll deductions and withholdings	15,213	-	-	15,213
Accrued expenditures	48,741	-	2,370	51,111
Accrued salaries payable	6,374,137	-	-	6,374,137
Unearned revenue	2,846,266	-	91,189	2,937,455
	<u>11,948,627</u>	<u>4,620,897</u>	<u>448,265</u>	<u>17,017,789</u>
Total liabilities	<u>11,948,627</u>	<u>4,620,897</u>	<u>448,265</u>	<u>17,017,789</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	2022 Facility Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances				
Non-spendable				
Inventory	\$ 108,777	\$ -	\$ 41,885	\$ 150,662
Prepaid items	93,100	-	-	93,100
Restricted for				
Food service	-	-	1,278,032	1,278,032
Debt service	-	-	2,019,056	2,019,056
Capital projects	-	35,447,261	5,160,684	40,607,945
Committed				
Student activities	1,219,176	-	1,639,031	2,858,207
Assigned				
Community services	-	-	68,561	68,561
High school store	-	-	53,388	53,388
Unassigned	<u>15,609,876</u>	<u>-</u>	<u>-</u>	<u>15,609,876</u>
 Total fund balances	 <u>17,030,929</u>	 <u>35,447,261</u>	 <u>10,260,637</u>	 <u>62,738,827</u>
 Total liabilities and fund balances	 <u>\$ 28,979,556</u>	 <u>\$ 40,068,158</u>	 <u>\$ 10,708,902</u>	 <u>\$ 79,756,616</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2024

Total fund balances for governmental funds	\$ 62,738,827
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets - net of amortization	215,064
Capital assets not being depreciated	24,587,123
Capital assets - net of accumulated depreciation	138,258,489
Net OPEB asset is not recorded as an asset in the governmental funds	1,902,825
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from the net pension liability	34,659,823
Deferred outflows of resources resulting from the net OPEB asset	7,678,447
Deferred inflows of resources resulting from the net pension liability	(17,689,597)
Deferred inflows of resources resulting from the net OPEB asset	(15,012,189)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(765,458)
Arbitrage	(1,128,343)
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	(109,640,658)
Compensated absences	(1,746,752)
Bonds payable	(124,100,954)
Other loans payable and liabilities	<u>(178,120)</u>
Net position of governmental activities	\$ <u>(221,473)</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	General Fund	2022 Facility Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 10,814,654	\$ 2,684,445	\$ 17,503,864	\$ 31,002,963
State sources	57,652,334	-	1,780,804	59,433,138
Federal sources	4,538,117	-	1,303,149	5,841,266
Interdistrict sources	3,605,783	-	-	3,605,783
	<u>76,610,888</u>	<u>2,684,445</u>	<u>20,587,817</u>	<u>99,883,150</u>
Expenditures				
Current				
Education				
Instruction	44,150,551	-	-	44,150,551
Supporting services	26,454,080	-	2,593,261	29,047,341
Food services	-	-	2,734,722	2,734,722
Community services	32,833	-	1,654,216	1,687,049
Intergovernmental payments	7,000	-	-	7,000
Capital outlay	1,210,347	22,277,105	4,593,838	28,081,290
Debt service				
Principal	75,006	-	4,525,000	4,600,006
Interest and other expenditures	2,846	-	4,881,411	4,884,257
	<u>71,932,663</u>	<u>22,277,105</u>	<u>20,982,448</u>	<u>115,192,216</u>
Excess (deficiency) of revenues over expenditures	<u>4,678,225</u>	<u>(19,592,660)</u>	<u>(394,631)</u>	<u>(15,309,066)</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	General Fund	2022 Facility Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 155,994	\$ 155,994
Transfers out	(246)	-	(155,748)	(155,994)
Total other financing sources (uses)	(246)	-	246	-
Net change in fund balances	4,677,979	(19,592,660)	(394,385)	(15,309,066)
Fund balances - beginning	<u>12,352,950</u>	<u>55,039,921</u>	<u>10,655,022</u>	<u>78,047,893</u>
Fund balances - ending	<u>\$ 17,030,929</u>	<u>\$ 35,447,261</u>	<u>\$ 10,260,637</u>	<u>\$ 62,738,827</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

Net change in fund balances - Total governmental funds \$ (15,309,066)

Total change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation and amortization expense	(7,047,561)
Capital outlay	25,576,470
Sale of capital assets (net book value)	(3,647)

Expenses are recorded when incurred in the statement of activities.

Interest	30,245
Arbitrage	(1,128,343)
Compensated absences	61,495

The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.

Net change in net pension liability	15,832,267
Net change in deferrals of resources related to the net pension liability	(15,013,356)

The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB changes. However, the amount recorded on the governmental funds equals actual OPEB contributions.

Net change in net OPEB asset	9,027,792
Net change in deferrals of resources related to the net OPEB asset	(3,329,517)

Bond and note proceeds 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 when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities.

Repayments of long-term debt	4,600,006
Amortization of premiums	<u>1,151,698</u>

Change in net position of governmental activities **\$ 14,448,483**

Romeo Community Schools
Notes to the Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross

expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

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

Fund Financial Statements

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

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

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.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2024

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.

2022 Facility Bond Fund – The 2022 Facilities Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for new and updated facilities.

Additionally, the School District reports the following fund types:

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

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

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

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

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

2020 Facility Bond Fund – The 2020 Facilities Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for new and updated facilities.

Assets, Liabilities and Net Position or Equity

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

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

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

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	3.85000
Sinking Fund	1.21270

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. Approximately 61% of the School District’s tax roll lies within Washington Township.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2024

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

Investments - Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

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

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

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

Buildings and additions	20 - 50 years
Land improvements	20 years
Equipment and furniture	5 - 15 years
Computer software	5 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 relating to the net pension and OPEB liabilities or assets are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities or assets in the following year.

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

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

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

Romeo Community Schools
Notes to the Financial Statements
June 30, 2024

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 (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.

Postemployment Benefits Other Than Pensions - For purposes of measuring the net OPEB liability or asset, 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 district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities or assets are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

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

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Education or Superintendent. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the 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.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2024

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. 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.

Upcoming Accounting and Reporting Changes

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.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization’s vulnerabilities due to certain concentrations or constraints. This statement is effective for the year ending June 30, 2025.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization’s accountability while also addressing certain application issues. This statement includes changes to management’s discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

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.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2024

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

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

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Instructional staff	\$ 3,728,138	\$ 3,831,842	\$ 103,704
Business	1,083,830	1,107,671	23,841
Athletic activities	931,904	944,508	12,604
Community services	27,559	32,833	5,274
Debt service	-	77,852	77,852
Community Service Fund			
Community services	1,637,381	1,654,216	16,835

Compliance - Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The 2022 Facilities Bond below is not yet considered substantially complete and a subsequent year audit is expected. Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2020 Facilities Bond Fund. The projects for which the 2020 Facilities Bond Fund were considered complete on June 30, 2024 (June immediately following date of Certificate of Substantial Completion or 95% of proceeds expended) and the cumulative expenditures recognized for the construction period were \$19,496,782. The following is a summary of the revenue and expenditures in the 2020 Facilities Bond Fund and 2022 Facilities Bond Fund from the inception of the funds through the current fiscal year:

	2020 Facilities Bond	2022 Facilities Bond
Revenues	\$ 20,190,947	\$ 64,577,490
Expenditures	<u>19,496,782</u>	<u>29,130,229</u>
	<u>\$ 694,165</u>	<u>\$ 35,447,261</u>

Compliance - Sinking Funds

The School District's Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, the school district has complied with the applicable provisions of Section 1212 of the Revised School Code.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2024

Note 3 - Deposits and Investments

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

	Governmental Activities
Cash	\$ 27,394,786
Investments	38,354,107
	\$ 65,748,893

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 10,916,677
Investments in securities, mutual funds, and similar vehicles	54,831,167
Petty cash and cash on hand	1,049
 Total	 \$ 65,748,893

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
Cash Management Class	\$ 842,499	N/A	AAAm	S&P
MAX Class	15,634,561	N/A	AAAm	S&P
Municipal bonds	744,551	5/1/2025	Aa1	S&P
Municipal bonds	1,965,296	11/4/24 - 5/1/25	AA	Moody
Money market	12,210,395	N/A	N/A	N/A
Government bonds	20,395,630	8/19/24 - 6/30/25	AA+	S&P
Government bonds	3,038,235	3/28/25 - 5/28/25	Aaa	Moody
	\$ 54,831,167			

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

As of June 30, 2024, the net asset value of the School District's investment in MILAF + Portfolio was \$16,477,060. 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 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 Trustee's 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 - In accordance with its investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 9 months.

Credit risk - State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District has no investment policy that would further limit its investment choices.

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Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$11,151,112 of the School District's bank balance of \$11,401,112 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2024:

- Amounts invested in government bonds and money markets of \$35,644,260. The investments are valued at fair market value using quoted market prices (Level 1 inputs).

- Amounts invested in municipal bonds of \$23,433,865. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset (Level 2 inputs).

Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 461,702	\$ -	\$ -	\$ 461,702
Construction-in-progress	8,243,913	22,855,262	6,973,754	24,125,421
Total capital assets not being depreciated	8,705,615	22,855,262	6,973,754	24,587,123
Capital assets being depreciated				
Buildings and additions	167,853,861	4,000,191	-	171,854,052
Land improvements	8,798,985	59,351	-	8,858,336
Equipment and furniture	27,060,046	5,534,328	3,828	32,590,546
Buses and other vehicles	5,962,537	101,092	56,449	6,007,180
Right to use asset - subscription arrangements	387,989	-	-	387,989
Total capital assets being depreciated	210,063,418	9,694,962	60,277	219,698,103
Less accumulated depreciation for				
Buildings and additions	44,805,417	4,023,287	-	48,828,704
Land improvements	5,021,124	371,364	-	5,392,488
Equipment and furniture	20,999,450	1,924,390	3,806	22,920,034
Buses and other vehicles	3,323,055	640,168	52,824	3,910,399
Right to use asset - subscription arrangements	84,573	88,352	-	172,925
Total accumulated depreciation	74,233,619	7,047,561	56,630	81,224,550
Net capital assets being depreciated	135,829,799	2,647,401	3,647	138,473,553
Net capital assets	\$ 144,535,414	\$ 25,502,663	\$ 6,977,401	\$ 163,060,676

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

Governmental activities

Instruction	\$ 4,017,110
Supporting services	2,607,598
Food services	281,902
Community services	<u>140,951</u>
 Total governmental activities	 <u><u>\$ 7,047,561</u></u>

Construction Contracts

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

	Total Contract	Remaining Construction Commitment at Year End
Project		
Indian Hills Addition	\$ 3,265,929	\$ 267,904
Indian Hills Playground Improvements	9,225	8,948
Building Decommissions Services	399,454	39,910
RMS Water Main	352,000	347,700
Croswell Improvements	9,912,911	784,267
Robotics Addition	2,718,489	1,562,499
RMS Site Improvements	3,887,768	2,782,541
Amanda Moore Addition	2,109,259	941,814
Washington Addition	1,503,698	808,947
Hevel Renovations	399,389	266,055
RHS Site Improvements	4,606,942	1,310,238
Security Camera Upgrades	378,740	54,951
Classroom AV System Updates	1,457,748	896,048
Districtwide Technology Upgrades	451,543	42,240
RMS Cafeteria Remodel	<u>342,235</u>	<u>1,000</u>
 Total	 <u><u>\$ 31,795,330</u></u>	 <u><u>\$ 10,115,062</u></u>

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
General Fund	2022 Facility Bond Fund	\$ 599,407
General Fund	Nonmajor Governmental Funds	<u>357,207</u>
		<u><u>\$ 956,614</u></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.

Interfund transfers were made during the year, between the General Fund and the Food Service Fund totaling \$246. These transfers were made for the revenues collected by the General Fund for the Food Service Fund. There were also transfers made from the Technology and Bus Bond Debt Funds of \$155,748 to the 2016, 2020 and 2022 Facility Bond Debt Funds. These transfers were made in order to move the remaining funds out of the Bus and Technology Bond Debt Funds as the debt had been paid off.

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Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 2,846,266
Student meals	45,682
Childcare	<u>45,507</u>
Total	<u>\$ 2,937,455</u>

Note 8 - Subscription Based Information Technology

Subscription Arrangements

The School District has entered into subscription-based information technology arrangements (SBITAs) involving:

- Various desktop and server software subscriptions
- Information technology security software
- Document management software

The future subscription payments under SBITA agreements are as follows:

Year ending June 30,	Principal	Interest
2025	\$ 136,631	\$ 4,999
2026	35,342	987
2027	4,652	155
2028	<u>1,495</u>	<u>41</u>
Total	<u>\$ 178,120</u>	<u>\$ 6,182</u>

Note 9 - 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. 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	\$ 116,345,000	\$ -	\$ 4,525,000	\$ 111,820,000	\$ 4,935,000
Premium on bonds	<u>13,432,652</u>	<u>-</u>	<u>1,151,698</u>	<u>12,280,954</u>	<u>-</u>
Total bonds payable	<u>129,777,652</u>	<u>-</u>	<u>5,676,698</u>	<u>124,100,954</u>	<u>4,935,000</u>
Other liabilities					
Subscriptions	253,126	-	75,006	178,120	136,631
Compensated absences	<u>1,808,247</u>	<u>-</u>	<u>61,495</u>	<u>1,746,752</u>	<u>385,687</u>
Total other liabilities	<u>2,061,373</u>	<u>-</u>	<u>136,501</u>	<u>1,924,872</u>	<u>522,318</u>
Total	<u>\$ 131,839,025</u>	<u>\$ -</u>	<u>\$ 5,813,199</u>	<u>\$ 126,025,826</u>	<u>\$ 5,457,318</u>

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

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

2016 Facilities Bond - \$56,390,000 due in annual installments of \$1,825,000 to \$3,800,000 through May 1, 2041, interest at 5.00%	\$ 47,350,000
2020 Facilities Bond - \$19,000,000 due in annual installments of \$675,000 to \$875,000 through May 1, 2044, interest at 2.00% to 2.25%	14,950,000
2022 Facilities Bond - \$52,515,000 due in annual installments of \$1,555,000 to \$3,290,000 through May 1, 2045, interest at 4.00%	<u>49,520,000</u>
Total general obligation bonded debt	<u>\$ 111,820,000</u>

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

<u>Year Ending June 30,</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 4,935,000	\$ 4,694,812
2026	4,155,000	4,492,662
2027	4,320,000	4,320,712
2028	4,485,000	4,141,162
2029	4,680,000	3,954,012
2030-2034	26,575,000	16,482,960
2035-2039	32,615,000	10,320,668
2040-2044	26,765,000	3,349,858
2045	3,290,000	131,600
Total	<u>\$ 111,820,000</u>	<u>\$ 51,888,446</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$2,019,056 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

Accrued compensated absences at year end, consist of \$1,746,752 of vacation and sick hours earned and vested. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Note 10 - Risk Management

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

Note 11 - 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. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The

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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, 2022 valuation will be amortized over an 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2023.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.16%
Member Investment Plan	3.0 - 7.0%	20.16%
Pension Plus	3.0 - 6.4%	17.24%
Pension Plus 2	6.2%	19.95%
Defined Contribution	0.0%	13.75%

Required contributions to the pension plan from the School District were \$12,208,995 for the year ending September 30, 2023.

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

At June 30, 2024, the School District reported a liability of \$109,640,658 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. 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, 2023, the School District's proportion was 0.3388 percent, which was an increase of 0.0051 percent from its proportion measured as of September 30, 2022.

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For the plan year ending September 30, 2023, the School District recognized pension expense of \$15,683,125 for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total pension contribution expense of \$14,023,015.

At June 30, 2024, 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	\$ 3,461,021	\$ (167,952)	\$ 3,293,069
Changes of assumptions	14,856,808	(8,566,098)	6,290,710
Net difference between projected and actual earnings on pension plan investments	-	(2,243,603)	(2,243,603)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>3,244,209</u>	<u>(104,334)</u>	<u>3,139,875</u>
Total to be recognized in future	21,562,038	(11,081,987)	10,480,051
School District contributions subsequent to the measurement date	<u>13,097,785</u>	<u>(6,607,610)</u>	<u>-</u>
Total	<u>\$ 34,659,823</u>	<u>\$ (17,689,597)</u>	<u>\$ 10,480,051</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, 2025. The District will offset the contribution expense in the year ended June 30, 2025 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2024	\$ 3,889,717
2025	2,684,161
2026	5,349,609
2027	<u>(1,443,436)</u>
	<u>\$ 10,480,051</u>

Actuarial Assumptions

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

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2022
- 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: PubT-2010 Male and Female Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
 - Active: PubT-2010 Male and Female Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, 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 4.4406 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.8%
Alternative Investment Pools	16.0	9.6%
International Equity	15.0	6.8%
Fixed Income Pools	13.0	1.3%
Real Estate and Infrastructure Pools	10.0	6.4%
Absolute Return Pools	9.0	4.8%
Real Return/Opportunistic Pools	10.0	7.3%
Short Term Investment Pools	2.0	0.3%
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.7% inflation.*

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Rate of Return

For the plan year ended September 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29%. 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, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
\$ 148,124,208	\$ 109,640,658	\$ 77,601,711

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

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

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

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

Note 12 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

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

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Benefits Provided

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare

expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022 valuation will be amortized over an 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2023.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.07%
Personal Healthcare Fund (PHF)	0.0%	7.21%

Required contributions to the OPEB plan from the School District were \$2,620,287 for the year ended September 30, 2023.

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

At June 30, 2024, the School District reported an asset of \$1,902,825 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023 and the total OPEB liability or asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The School District's proportion of the net OPEB asset 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, 2023 the School District's proportion was 0.3364 percent, which did not change from its proportion measured as of September 30, 2022.

For the plan year ending September 30, 2023, the School District recognized OPEB expense of \$(2,936,072) for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total OPEB contribution expense of \$2,768,615.

At June 30, 2024, 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	\$ -	\$(14,378,727)	\$(14,378,727)
Changes of assumptions	4,236,022	(510,097)	3,725,925
Net difference between projected and actual earnings on OPEB plan investments	5,802	-	5,802
Changes in proportion and differences between the School District contributions and proportionate share of contributions	1,046,364	(123,365)	922,999
Total to be recognized in future	5,288,188	(15,012,189)	(9,724,001)
School District contributions subsequent to the measurement date	2,390,259	-	-
Total	\$ 7,678,447	\$(15,012,189)	\$ (9,724,001)

Romeo Community Schools
Notes to the Financial Statements
June 30, 2024

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 an addition to the OPEB asset in the year ended June 30, 2025. 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)

2024	\$ (3,071,341)
2025	(2,980,894)
2026	(1,176,724)
2027	(1,096,547)
2028	(916,070)
Thereafter	<u>(482,425)</u>
	<u>\$ (9,724,001)</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, 2022
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses

- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.50% Year 1 graded to 3.5% Year 15; Post-65: 6.25% Year 1 graded to 3.5% Year 15
- Mortality:
 - Retirees: PubT-2010 Male and Female Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
 - Active: PubT-2010 Male and Female Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

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 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total OPEB liability or asset as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, 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 6.5099.

Recognition period for assets in years is 5.0000.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2024

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.8%
Alternative Investment Pools	16.0	9.6%
International Equity	15.0	6.8%
Fixed Income Pools	13.0	1.3%
Real Estate and Infrastructure Pools	10.0	6.4%
Absolute Return Pools	9.0	4.8%
Real Return/Opportunistic Pools	10.0	7.3%
Short Term Investment Pools	2.0	0.3%
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.7% inflation.

Rate of Return

For the plan year ended September 30, 2023, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94%. 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 or asset. 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 or asset.

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

The following presents the School District's proportionate share of the net OPEB liability or asset calculated using the discount rate of 6.00%, as well as what the School District's proportionate share of the net OPEB liability or asset 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%
\$ 1,972,659	\$ (1,902,825)	\$ (5,233,424)

Romeo Community Schools
Notes to the Financial Statements
June 30, 2024

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

The following presents the School District’s proportionate share of the net OPEB liability or asset calculated using assumed trend rates, as well as what the School District’s proportionate share of net OPEB liability or asset 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
\$ (5,241,728)	\$ (1,902,825)	\$ 1,710,962

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2023 MPERS 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 13 - 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, 2024.

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District’s attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Note 14 - Tax Abatements

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

For the fiscal year ended June 30, 2024, the School District’s property tax revenues were reduced by \$132,507 under these programs.

There are no significant abatements made by the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Romeo Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 9,646,394	\$ 10,734,691	\$ 10,814,654	\$ 79,963
State sources	56,688,046	57,369,056	57,652,334	283,278
Federal sources	6,827,238	4,615,857	4,538,117	(77,740)
Interdistrict sources	3,800,153	3,676,066	3,605,783	(70,283)
Total revenues	76,961,831	76,395,670	76,610,888	215,218
Expenditures				
Instruction				
Basic programs	34,520,074	33,507,668	32,854,325	(653,343)
Added needs	12,130,754	11,324,827	11,296,226	(28,601)
Supporting services				
Pupil	5,626,716	4,778,499	4,783,851	5,352
Instructional staff	4,739,612	3,728,138	3,831,842	103,704
General administration	869,441	686,342	655,953	(30,389)
School administration	4,043,886	4,215,737	4,190,532	(25,205)
Business	1,055,561	1,083,830	1,107,671	23,841
Operations and maintenance	6,914,629	6,503,493	6,297,557	(205,936)
Pupil transportation services	3,340,059	3,407,937	3,372,385	(35,552)
Central	1,472,553	1,467,494	1,269,781	(197,713)
Athletic activities	942,823	931,904	944,508	12,604
Community services	11,213	27,559	32,833	5,274
Intergovernmental payments	14,045	7,000	7,000	-
Capital outlay	1,042,993	1,213,578	1,210,347	(3,231)
Debt service				
Principal	-	-	75,006	75,006
Interest and fiscal charges	-	-	2,846	2,846
Total expenditures	76,724,359	72,884,006	71,932,663	(951,343)
Excess of revenues over expenditures	237,472	3,511,664	4,678,225	1,166,561

Romeo Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other Financing Sources (Uses)				
Transfers in	\$ 1,586	\$ 189	\$ -	\$ (189)
Transfers out	(250)	(250)	(246)	4
Total other financing sources (uses)	1,336	(61)	(246)	(185)
Net change in fund balances	238,808	3,511,603	4,677,979	1,166,376
Fund balance - beginning	12,352,950	12,352,950	12,352,950	-
Fund balance - ending	<u>\$ 12,591,758</u>	<u>\$ 15,864,553</u>	<u>\$ 17,030,929</u>	<u>\$ 1,166,376</u>

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

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. School District's proportion of net pension liability (%)	0.33880%	0.33360%	0.32530%	0.32240%	0.30960%	0.30574%	0.31008%	0.31800%	0.33240%	0.33093%
B. School District's proportionate share of net pension liability	\$ 109,640,658	\$ 125,472,925	\$ 77,019,263	\$ 110,742,603	\$ 102,513,490	\$ 91,906,174	\$ 80,355,630	\$ 79,349,119	\$ 81,198,019	\$ 72,891,862
C. School District's covered payroll	\$ 33,430,419	\$ 32,492,579	\$ 29,042,827	\$ 28,780,962	\$ 27,299,533	\$ 25,624,554	\$ 25,842,557	\$ 26,288,571	\$ 27,651,260	\$ 28,679,893
D. School District's proportionate share of net pension liability as a percentage of its covered payroll	327.97%	386.16%	265.19%	384.78%	375.51%	358.66%	310.94%	301.84%	293.65%	254.16%
E. Plan fiduciary net position as a percentage of total pension liability	65.91%	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 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2023.

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

	For the Years Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 14,023,015	\$ 12,151,749	\$ 11,063,344	\$ 9,685,486	\$ 8,817,711	\$ 8,127,143	\$ 8,484,009	\$ 4,877,622	\$ 5,188,389	\$ 6,060,184
B. Contributions in relation to statutorily required contributions	<u>14,023,015</u>	<u>12,151,749</u>	<u>11,063,344</u>	<u>9,685,486</u>	<u>8,817,711</u>	<u>8,127,143</u>	<u>8,484,009</u>	<u>4,877,622</u>	<u>5,188,389</u>	<u>6,060,184</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	\$ 34,693,658	\$ 32,913,594	\$ 30,887,847	\$ 28,487,302	\$ 28,851,583	\$ 26,936,718	\$ 25,684,574	\$ 25,892,315	\$ 26,844,402	\$ 28,537,317
E. Contributions as a percentage of covered payroll	40.42%	36.92%	35.82%	34.00%	30.56%	30.17%	33.03%	18.84%	19.33%	21.24%

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

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. School District's proportion of the net OPEB liability (asset) (%)	0.33640%	0.33640%	0.32300%	0.32570%	0.31330%	0.30130%	0.30970%			
B. School District's proportionate share of the net OPEB liability (asset)	\$ (1,902,825)	\$ 7,124,967	\$ 4,930,857	\$ 17,448,836	\$ 22,489,072	\$ 23,950,367	\$ 27,421,914			
C. School District's covered payroll	\$ 33,430,419	\$ 32,492,579	\$ 29,042,827	\$ 28,780,962	\$ 27,299,533	\$ 25,624,554	\$ 25,842,557			
D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.69%	21.93%	16.98%	60.63%	82.38%	93.47%	106.11%			
E. Plan fiduciary net position as a percentage of total OPEB liability (asset)	105.04%	83.09%	87.33%	59.44%	36.39%	42.95%	36.39%			

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2023.

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

	For the Years Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 2,768,615	\$ 2,597,941	\$ 2,457,970	\$ 2,358,935	\$ 2,372,375	\$ 2,169,972	\$ 1,949,180			
B. Contributions in relation to statutorily required contributions	<u>2,768,615</u>	<u>2,597,941</u>	<u>2,457,970</u>	<u>2,358,935</u>	<u>2,372,375</u>	<u>2,169,972</u>	<u>1,949,180</u>			
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
D. School District's covered payroll	\$ 34,693,658	\$ 32,913,594	\$ 30,887,847	\$ 28,487,302	\$ 28,851,583	\$ 26,936,718	25,684,574			
E. Contributions as a percentage of covered payroll	7.98%	7.89%	7.96%	8.28%	8.22%	8.06%	7.59%			

OTHER SUPPLEMENTARY INFORMATION

Romeo Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2024

	Special Revenue Funds				Debt Service Funds				Capital Project Funds			Total Nonmajor Governmental Funds	
	Community Services Fund	High School Store Fund	Food Services Fund	Student Activity Fund	2016 Facility Bond Debt Fund	Technology Bond Debt Fund	Bus Bond Debt Fund	2020 Facility Bond Debt Fund	2022 Facility Bond Debt Fund	Sinking Fund	Bus Bond Fund		2020 Facility Bond Fund
Assets													
Cash	\$ 280	\$ 53,388	\$ 940,346	\$ 1,641,212	\$ 682,961	\$ -	\$ -	\$ 292,050	\$ 1,045,133	\$ 4,500,838	\$ 63,596	\$ 843,273	\$ 10,063,077
Accounts receivable	4,533	-	-	-	-	-	-	-	-	-	-	-	4,533
Due from other funds	113,612	-	428,406	9,101	379	-	-	88	401	47,420	-	-	599,407
Inventory	-	11,871	30,014	-	-	-	-	-	-	-	-	-	41,885
Total assets	\$ 118,425	\$ 65,259	\$ 1,398,766	\$ 1,650,313	\$ 683,340	\$ -	\$ -	\$ 292,138	\$ 1,045,534	\$ 4,548,258	\$ 63,596	\$ 843,273	\$ 10,708,902
Liabilities													
Accounts payable	\$ 1,987	\$ -	\$ 45,038	\$ 11,282	\$ 1,724	\$ -	\$ -	\$ 42	\$ 190	\$ 145,335	\$ -	\$ 149,108	\$ 354,706
Accrued expenditures	2,370	-	-	-	-	-	-	-	-	-	-	-	2,370
Unearned revenue	45,507	-	45,682	-	-	-	-	-	-	-	-	-	91,189
Total liabilities	49,864	-	90,720	11,282	1,724	-	-	42	190	145,335	-	149,108	448,265
Fund Balances													
Non-spendable													
Inventory	-	11,871	30,014	-	-	-	-	-	-	-	-	-	41,885
Restricted for													
Food service	-	-	1,278,032	-	-	-	-	-	-	-	-	-	1,278,032
Debt service	-	-	-	-	681,616	-	-	292,096	1,045,344	-	-	-	2,019,056
Capital projects	-	-	-	-	-	-	-	-	-	4,402,923	63,596	694,165	5,160,684
Committed	-	-	-	1,639,031	-	-	-	-	-	-	-	-	1,639,031
Assigned	68,561	53,388	-	-	-	-	-	-	-	-	-	-	121,949
Total fund balances	68,561	65,259	1,308,046	1,639,031	681,616	-	-	292,096	1,045,344	4,402,923	63,596	694,165	10,260,637
Total liabilities and fund balances	\$ 118,425	\$ 65,259	\$ 1,398,766	\$ 1,650,313	\$ 683,340	\$ -	\$ -	\$ 292,138	\$ 1,045,534	\$ 4,548,258	\$ 63,596	\$ 843,273	\$ 10,708,902

Romeo Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	Special Revenue Funds				Debt Service Funds				Capital Project Funds			Total Nonmajor Governmental Funds	
	Community Services Fund	High School Store Fund	Food Services Fund	Student Activity Fund	2016 Facility Bond Debt Fund	Technology Bond Debt Fund	Bus Bond Debt Fund	2020 Facility Bond Debt Fund	2022 Facility Bond Debt Fund	Sinking Fund	Bus Bond Fund		2020 Facility Bond Fund
Revenues													
Local sources	\$ 948,808	\$ 89,249	\$ 392,162	\$ 2,728,962	\$ 4,351,354	\$ -	\$ -	\$ 1,010,494	\$ 4,612,000	\$ 3,282,557	\$ 2,603	\$ 85,675	\$ 17,503,864
State sources	-	-	1,460,289	-	32,468	-	-	139,861	148,186	-	-	-	1,780,804
Federal sources	-	-	1,303,149	-	-	-	-	-	-	-	-	-	1,303,149
Total revenues	948,808	89,249	3,155,600	2,728,962	4,383,822	-	-	1,150,355	4,760,186	3,282,557	2,603	85,675	20,587,817
Expenditures													
Current													
Education													
Supporting services	-	68,702	-	2,523,433	856	-	-	-	-	270	-	-	2,593,261
Food services	-	-	2,734,722	-	-	-	-	-	-	-	-	-	2,734,722
Community services	1,654,216	-	-	-	-	-	-	-	-	-	-	-	1,654,216
Capital outlay	-	-	276,813	-	-	-	-	-	-	3,157,222	-	1,159,803	4,593,838
Debt service													
Principal	-	-	-	-	1,750,000	-	-	650,000	2,125,000	-	-	-	4,525,000
Interest and other expenditures	-	-	-	-	2,454,815	-	-	323,950	2,102,646	-	-	-	4,881,411
Total expenditures	1,654,216	68,702	3,011,535	2,523,433	4,205,671	-	-	973,950	4,227,646	3,157,492	-	1,159,803	20,982,448
Excess (deficiency) of revenues over expenditures	(705,408)	20,547	144,065	205,529	178,151	-	-	176,405	532,540	125,065	2,603	(1,074,128)	(394,631)
Other Financing Sources													
Transfers in	-	-	246	-	67,963	-	-	15,777	72,008	-	-	-	155,994
Transfers out	-	-	-	-	-	(105,791)	(49,957)	-	-	-	-	-	(155,748)
Total other financing sources	-	-	246	-	67,963	(105,791)	(49,957)	15,777	72,008	-	-	-	246
Net change in fund balances	(705,408)	20,547	144,311	205,529	246,114	(105,791)	(49,957)	192,182	604,548	125,065	2,603	(1,074,128)	(394,385)
Fund balances - beginning	773,969	44,712	1,163,735	1,433,502	435,502	105,791	49,957	99,914	440,796	4,277,858	60,993	1,768,293	10,655,022
Fund balances - ending	\$ 68,561	\$ 65,259	\$ 1,308,046	\$ 1,639,031	\$ 681,616	\$ -	\$ -	\$ 292,096	\$ 1,045,344	\$ 4,402,923	\$ 63,596	\$ 694,165	\$ 10,260,637

Romeo Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2024

Year Ending June 30,	2016 Facilities Bonds	2020 Facilities Bonds	2022 Facilities Bonds	Total
2025	\$ 1,825,000	\$ 675,000	\$ 2,435,000	\$ 4,935,000
2026	1,925,000	675,000	1,555,000	4,155,000
2027	2,025,000	675,000	1,620,000	4,320,000
2028	2,125,000	675,000	1,685,000	4,485,000
2029	2,225,000	700,000	1,755,000	4,680,000
2030	2,350,000	700,000	1,840,000	4,890,000
2031	2,475,000	700,000	1,935,000	5,110,000
2032	2,600,000	700,000	2,010,000	5,310,000
2033	2,725,000	700,000	2,090,000	5,515,000
2034	2,875,000	700,000	2,175,000	5,750,000
2035	3,025,000	700,000	2,260,000	5,985,000
2036	3,175,000	725,000	2,350,000	6,250,000
2037	3,325,000	750,000	2,445,000	6,520,000
2038	3,475,000	775,000	2,540,000	6,790,000
2039	3,625,000	800,000	2,645,000	7,070,000
2040	3,775,000	825,000	2,750,000	7,350,000
2041	3,800,000	850,000	2,860,000	7,510,000
2042	-	875,000	2,975,000	3,850,000
2043	-	875,000	3,090,000	3,965,000
2044	-	875,000	3,215,000	4,090,000
2045	-	-	3,290,000	3,290,000
Total	<u>\$ 47,350,000</u>	<u>\$ 14,950,000</u>	<u>\$ 49,520,000</u>	<u>\$ 111,820,000</u>
Principal payments due the first day of	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	
Interest rate	5.00%	2.00% - 2.25%	4.00%	
Original issue	<u>\$ 56,390,000</u>	<u>\$ 19,000,000</u>	<u>\$ 52,515,000</u>	

Romeo Community Schools

Single Audit Report

June 30, 2024



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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
Romeo Community Schools
Romeo, 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 Romeo Community Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Romeo Community Schools' basic financial statements and have issued our report thereon dated September 16, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Romeo Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Auburn Hills, Michigan
September 16, 2024



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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
Romeo Community Schools
Romeo, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Romeo Community Schools' 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 Romeo Community Schools' major federal programs for the year ended June 30, 2024. Romeo Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Romeo Community Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

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 Romeo Community Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Romeo Community Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Romeo Community Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Romeo Community Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Romeo Community Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 Romeo Community Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Romeo Community Schools' basic financial statements. We issued our report thereon dated September 16, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
September 16, 2024

Romeo Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title	Grant/Project Number	Assistance Listing Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue July 1, 2023	Current Year Expenditures	Current Year Receipts (Payments)	Adjustments	Accrued Revenue June 30, 2024
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Cash assistance									
School Breakfast Program 2023-24	241970	10.553	\$ 202,419	\$ -	\$ -	\$ 202,419	\$ 202,419	\$ -	\$ -
School Breakfast Program 2022-23	231970	10.553	172,102	149,395	-	22,707	22,707	-	-
					-	225,126	225,126	-	-
Food Distribution									
Non-cash assistance (Entitlement Commodities)	50190	10.555	164,137	-	-	164,137	164,137	-	-
Cash assistance									
National School Lunch Program - Lunch 2023-24	241960	10.555	659,582	-	-	659,582	659,582	-	-
National School Lunch Program - Lunch 2022-23	231960	10.555	815,778	719,614	-	96,164	96,164	-	-
Supply Chain Assistance	240910	10.555	129,759	-	-	129,759	129,759	-	-
					-	1,049,642	1,049,642	-	-
Summer National School Lunch Program - Lunch 2023-24	240900	10.559	25,881	-	-	25,881	25,881	-	-
Total Child Nutrition Cluster					-	1,300,649	1,300,649	-	-
Total Department of Agriculture					-	1,300,649	1,300,649	-	-
U.S. Department of Education									
Passed through Macomb County Intermediate School District									
Special Education Cluster									
Special Education Grants to States 2023-24	240450	84.027	996,310	-	-	996,310	804,693	-	191,617
Special Education Grants to States 2022-23	230450	84.027	1,071,304	1,060,875	158,939	10,429	166,675	-	2,693
COVID-19 ARP - Special Education Grants to States 2021-22	220450	84.027X	221,168	218,351	28,259	-	28,259	-	-
					187,198	1,006,739	999,627	-	194,310
IDEA Preschool Incentive 2023-24	240460	84.173	33,367	-	-	33,367	25,708	-	7,659
IDEA Preschool Incentive 2022-23	230460	84.173	48,359	48,359	10,496	-	10,496	-	-
					10,496	33,367	36,204	-	7,659
Total Special Education Cluster					197,694	1,040,106	1,035,831	-	201,969
Passed through Macomb Intermediate School District									
Vocational Education - Perkins 2023-24									
Vocational Education - Perkins 2022-23	243520	84.048	165,073	-	-	165,073	91,163	-	73,910
	233520	84.048	113,080	113,080	33,853	-	33,853	-	-
					33,853	165,073	125,016	-	73,910
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies 2023-24	241530	84.010	569,726	-	-	471,989	363,252	-	108,737
Title I Grants to Local Educational Agencies 2022-23	231530	84.010	389,658	375,712	34,576	9,066	43,642	-	-
					34,576	481,055	406,894	-	108,737

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Romeo Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title	Grant/Project Number	Assistance Listing Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue July 1, 2023	Current Year Expenditures	Current Year Receipts (Payments)	Adjustments	Accrued Revenue June 30, 2024
Passed through Michigan Department of Education									
Supporting Effective Instruction State Grants 2023-24	240520	84.367	\$ 186,524	\$ -	\$ -	\$ 45,438	\$ 25,314	\$ -	\$ 20,124
Supporting Effective Instruction State Grants 2022-23	230520	84.367	152,110	57,118	10,427	30,665	41,092	-	-
					10,427	76,103	66,406	-	20,124
English Language Acquisition State Grants 2023-24	240580	84.365	41,437	-	-	26,856	18,544	-	8,312
English Language Acquisition State Grants 2022-23	230580	84.365	47,644	38,390	1,614	2,730	4,344	-	-
					1,614	29,586	22,888	-	8,312
Student Support and Academic Enrichment Program 2023-24	240750	84.424A	32,109	-	-	30,134	-	-	30,134
Education Stabilization Funds									
COVID-19 98c Learning Loss Grant 2023-24	213782	84.425D	269,366	247,238	15,431	22,128	37,559	-	-
COVID-19 Elementary and Secondary School Emergency Relief Funds (ESSER II)	213712	84.425D	1,329,468	619,129	102,708	-	102,708	-	-
COVID-19 Elementary and Secondary School Emergency Relief Funds (ESSER III)	213713	84.425U	2,987,920	1,336,732	99,703	1,595,593	1,048,262	-	647,034
COVID-19 ESSER III Discretionary - 11(t)	213723	84.425U	2,679,143	1,352,790	138,151	1,098,339	1,041,071	-	195,419
					355,993	2,716,060	2,229,600	-	842,453
Total Department of Education					634,157	4,538,117	3,886,635	-	1,285,639
U.S. Department of Health and Human Services									
Passed through Macomb County Community Action Agency									
Head Start Cluster									
Head Start	05CH8330	93.600	2,500	-	-	2,500	2,500	-	-
Total Federal Programs					\$ 634,157	\$ 5,841,266	\$ 5,189,784	\$ -	\$ 1,285,639

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Romeo Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2024

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Romeo Community Schools under programs of the federal government for the year ended June 30, 2024. 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 Romeo Community Schools, it is not intended to and does not present the financial position and changes in financial positions of Romeo Community Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Romeo Community Schools 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 per the financial statements are in agreement with the schedule of expenditures of federal awards.

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards.

Romeo Community Schools
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.425D & 84.425U	Education Stabilization Funds

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

Auditee qualified as low-risk auditee? X yes _____ no

Romeo Community Schools
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings or questioned costs for *Government Auditing Standards* for the year ended June 30, 2024.

SECTION III - FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2024.

Romeo Community Schools
Summary Schedule of Prior Audit Findings
June 30, 2024

SECTION IV – PRIOR AUDIT FINDINGS

GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings or questioned costs for *Government Auditing Standards* 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, 2023.



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September 16, 2024

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Romeo Community Schools (the School District) as of and for the year ended June 30, 2024. 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:

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

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

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

This information is intended solely for the information and use of the Board of Education and management of 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.

Auburn Hills, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 3, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2023:

- 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.

We noted no transactions entered into by the School District during the year for which 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 benefits (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We 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.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Management override of controls
- Improper revenue recognition

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.

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.

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

There were no known uncorrected misstatements that were more than trivial.

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 Grant 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 as of and for the year ended June 30, 2024, we considered the School District’s internal control over financial reporting (internal control) as a basis for designing 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 improving compliance. This letter does not affect our report dated September 16, 2024, on the financial statements of the School District.

Untimely Meal Claims

During our review of internal controls, it came to our attention that food service meal claims were not being submitted timely to the State on a monthly basis, resulting in inconsistent cash flows and additional revenue reconciliations by the finance department. We recommend claims be reconciled and submitted timely after each month end.

Net Cash Resources

As a result of the changes in the food service program including the introduction of the Michigan School Meals program, meal claim revenues were in excess of anticipated amounts. A proportional increase to expenditures did not occur, resulting in a growth in net cash resources in an amount that exceeded the three-month average expenditure requirement included in the federal regulations. The noncompliance has not been determined to be material to the federal program or the financial statements, as it has not resulted in questioned costs, or negatively impacted the program; as the District is actively working on using the funds to enhance the program. However, the District must continue to take action to return to compliance. We recommend that the District look at possible enhancements to the program in order to develop a spend down plan to return to compliance with this requirement.