

DECATUR PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
additional supplementary information)

YEAR ENDED JUNE 30, 2023

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2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Decatur Public Schools

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Public Schools, as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Decatur Public 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Decatur Public 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.

Auditor's Responsibility 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 auditor's 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 Decatur Public 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 Decatur Public 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 and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 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 additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2023 on our consideration of Decatur Public 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 Decatur Public 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 Decatur Public Schools' internal control over financial reporting and compliance.

Maner Costeian PC

October 24, 2023

DECATUR PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The management's discussion and analysis are provided at the beginning of the annual financial report to provide in layman's terms the past and current position of the District's financial condition. This summary should not be taken as a replacement for the annual financial report which consists of the financial statements and other supplementary and additional information that presents all the District's revenue and expenditures by program.

FINANCIAL HIGHLIGHTS

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

One of the most important questions asked about the District is, "As a whole, what is the 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 District's financial statements, report information about the District as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position. In order to measure the District's financial health or financial position, we examine the difference between assets, deferred outflow of resources, liabilities and deferred inflow of resources, as reported in the statement of net position. Over time, increases or decreases in the 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 District's operating results.

It is important to remember that the School District's goal is to provide the best educational opportunities and services possible to Decatur students and not to generate profits as commercial entities do. In keeping, the District must account for the long-term stability and continuation of the District by weighing expenditures against the ability to continue existence. The District must keep in check significant decreases in net position over time.

The statement of net position and statement of activities report the governmental activities for the School District, which encompass all of the District's services, including instruction, support services, community services, athletics, student/school activities, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

DECATUR PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our financial statements provide insights into the results of this year's operations.

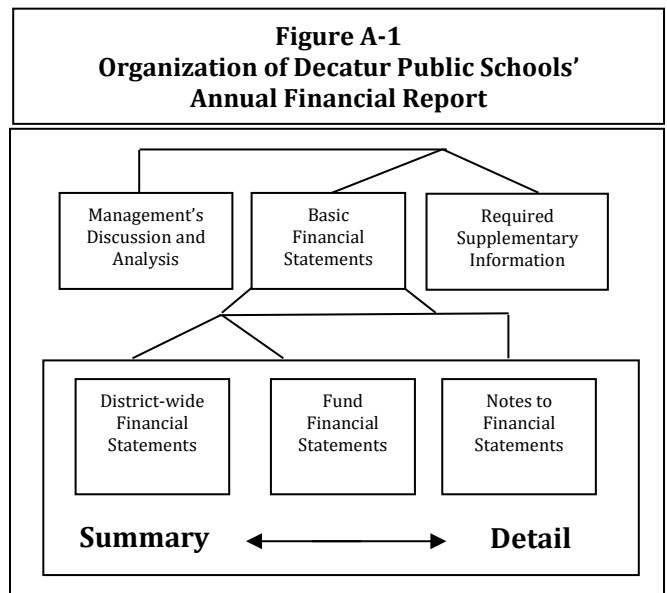
- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$17,243,437 (*net deficit*). The primary reasons for this are that the District owes more money than the carrying value of assets and deferred outflows of resources in which the debt was issued and the District is required to recognize their share of the net unfunded pension liability and the net unfunded OPEB liability.
- The District's total net position improved by \$969,979.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$11,798,454 an increase of \$1,411,518 in comparison with the prior year.
- At the end of the current fiscal year, the fund balance for the District's operating fund (general fund) was \$3,478,856 or 33.6% of the total expenditures of this operating fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide notes to financial statements.
- The *governmental funds* statements tell how basic services like instruction and support services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year and required supplementary pension information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



DECATUR PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-2 Major Features of District-wide and Fund Financial Statements		
	District-wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.
Required financial statements	<ul style="list-style-type: none"> * Statement of net position * Statement of activities 	<ul style="list-style-type: none"> * Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DECATUR PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include all of the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- Governmental Activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying debt, and its capital projects fund) or to show that it is properly using certain revenues (like school lunch and student/school activities).

The District only has one kind of fund:

- Governmental Funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

DECATUR PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - Restricted net position represents legal constraints from debt covenants and legislation that limit the District's ability to use the net position for day-to-day operations. The following is a summary of the District's net position at June 30, 2023 and 2022.

Table A-3		
Decatur Public Schools		
Net Position		
	2023	2022
Current and other assets	\$ 13,660,466	\$ 11,459,032
Capital assets	11,252,422	12,044,006
Total assets	24,912,888	23,503,038
Deferred outflows of resources	6,712,904	2,941,793
Long-term obligations	27,218,470	27,388,464
Other liabilities	1,947,298	1,162,966
Net pension liability	15,449,365	9,049,048
Net other postemployment benefits liability	896,386	587,096
Total liabilities	45,511,519	38,187,574
Deferred inflows of resources	3,357,710	6,470,673
Net position (deficit)		
Net investment in capital assets	(15,040,754)	(14,442,721)
Restricted for debt service	7,400,718	6,837,709
Restricted for food service	483,705	405,708
Unrestricted	(10,087,106)	(11,014,112)
Total net position (deficit)	\$ (17,243,437)	\$ (18,213,416)

DECATUR PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-4		
Changes in Decatur Public Schools' Net Position		
	2023	2022
Revenues		
Program revenues		
Charges for services	\$ 54,658	\$ 82,642
Operating grants and contributions	3,331,481	2,948,903
General revenues		
Property taxes	2,478,040	2,387,009
Investment earnings (loss)	(85,769)	(488,437)
State aid - unrestricted	7,280,512	6,103,864
Intermediate sources	185,518	207,325
Other	41,724	85,350
Total revenues	<u>13,286,164</u>	<u>11,326,656</u>
Expenses		
Instruction	5,492,763	4,147,921
Support services	3,765,551	2,729,692
Community services	33,087	20,442
Food services	717,410	655,410
Student activities	76,094	37,480
Interest on long-term debt	1,274,783	1,228,428
Unallocated depreciation/amortization	956,497	1,066,144
Total expenses	<u>12,316,185</u>	<u>9,885,517</u>
Change in net position	<u>\$ 969,979</u>	<u>\$ 1,441,139</u>

District Governmental Activities

The District's financial condition has come about through a number of areas.

- The State Foundation Allowance was \$9,150 per student in 2023, an increase of \$450 per student compared to \$8,700 in 2022.
- Student growth in the District has increased slightly compared to the prior year. Student count has fallen from 1,147 in 1999 to 775 for the year ended June 30, 2023, a decrease of 32%. Attracting and maintaining students has, and will be, a challenge for the District.
- The District's payments into Michigan Public School Employee's Retirement System (MPERS) continue to increase.
- The District has implemented cost cutting activities to keep pace with falling student counts and increasing employee benefit costs.

DECATUR PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District as a whole has a combined fund balance of \$11,798,454 compared to \$10,386,936 the prior year. The fund balance increased by \$1,411,518 during the year. The District continues to control primarily through tight budgetary controls. There are debt service funds with a combined net fund balance of \$7,486,004 and special revenue funds with a combined net fund balance of \$833,594. The general fund increased its fund balance by \$775,291, 2010 Building and Site debt service fund increased its fund balance by \$670,480, 2015 Refunding debt service fund decreased its fund balance by \$35,512, and other nonmajor governmental funds increased by \$1,259 (food service, student/school activities, and nonmajor debt service funds).

General Fund and Budget Highlights

During the 2023 fiscal year, the original District budget was amended twice to reflect changes which affected the District.

The initial amendment took place in March, once the student count and staff changes had been determined. This also allowed time to adjust for spending and reduce the projected deficit.

A final amendment took place in June to more accurately reflect payouts, made to District employees leaving the district, as well as adjusting for utilities and other expenditure accounts. The final amended budget was to have revenues and transfers in exceeding expenditures and transfers out by \$491,590.

The final results showed that net revenues came in higher than anticipated, by \$260,367, due to higher than anticipated state aid, federal funding and property tax collection. The expenditures came in less than anticipated by \$49,492 due to tight budget controls at the end of the school year and final invoices being less than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets are as follows:

Table A-5				
Decatur Public Schools Capital Assets				
	2023			2022
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Land	\$ 100,000	\$ -	\$ 100,000	\$ 100,000
Buildings and additions	21,782,475	11,827,987	9,954,488	10,566,343
Equipment and furniture	3,036,832	2,437,402	599,430	642,278
Site improvements	2,124,430	1,633,238	491,192	632,820
Transportation equipment	653,736	608,028	45,708	21,642
Right to use - leased equipment	94,775	33,171	61,604	80,923
Total	\$ 27,792,248	\$ 16,539,826	\$ 11,252,422	\$ 12,044,006

The change in the net book value is due to current year depreciation/amortization as well as capital asset acquisitions and disposals.

DECATUR PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Obligations

At year end the District had \$26,973,808 long-term obligations outstanding as shown in Table A-6. More detailed information is available in the notes of the financial statements.

Table A-6		
Decatur Public Schools		
Outstanding Long-Term Obligations		
	<u>2023</u>	<u>2022</u>
General obligation bonds	\$ 22,693,570	\$ 23,752,909
Notes from direct borrowings and direct placements	4,086,106	3,220,318
Compensated absences	<u>194,132</u>	<u>291,612</u>
	<u><u>\$ 26,973,808</u></u>	<u><u>\$ 27,264,839</u></u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The 2023 – 2024 foundation allowance is anticipated to increase per student. The foundation allowance represents approximately 80% of total District revenue.
- The District is expecting additional costs to be incurred due to several new hires for the 2023 – 2024 school year.
- The District is expecting additional federal funding in 2024 with ESSER III.
- Retirement contributions made to the retirement system are anticipated to continue to increase.
- The District continues to find ways to cut costs in an environment where revenues are not keeping pace.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Decatur Public Schools, 110 Cedar St., Decatur, Michigan 49045.

BASIC FINANCIAL STATEMENTS

DECATUR PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,749,139
Investments	1,012,493
Receivables	
Accounts receivable	12,887
Intergovernmental	2,268,006
Taxes	182,644
Inventories	50,885
Prepays	54,161
Restricted investments - debt service	7,330,251
Capital assets not being depreciated/amortized	100,000
Capital assets, net of accumulated depreciation/amortization	<u>11,152,422</u>
TOTAL ASSETS	<u>24,912,888</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	5,327,291
Related to other postemployment benefits	<u>1,385,613</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,712,904</u>
LIABILITIES	
Accounts payable	139,265
Note payable	840,000
Accrued interest payable	101,956
Accrued salaries and related items	537,698
Accrued retirement	322,829
Unearned revenue	5,550
Noncurrent liabilities	
Due within one year	1,113,844
Due in more than one year	25,859,964
Due in more than one year - interest	244,662
Net pension liability	15,449,365
Net other postemployment benefits liability	<u>896,386</u>
TOTAL LIABILITIES	<u>45,511,519</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	249,568
Related to other postemployment benefits	1,950,009
Related to state aid funding for pension	<u>1,158,133</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,357,710</u>
NET POSITION	
Net investment in capital assets	(15,040,754)
Restricted for debt service	7,400,718
Restricted for food service	483,705
Unrestricted	<u>(10,087,106)</u>
TOTAL NET POSITION	<u><u>\$ (17,243,437)</u></u>

See notes to financial statements.

**DECATUR PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants & Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 5,492,763	\$ -	\$ 1,561,259	\$ (3,931,504)
Support services	3,765,551	35,740	279,145	(3,450,666)
Community services	33,087	-	-	(33,087)
Food services	717,410	18,918	820,004	121,512
Student/school activities	76,094	-	74,789	(1,305)
Interest on long-term debt	1,274,783	-	596,284	(678,499)
Unallocated depreciation/amortization	956,497	-	-	(956,497)
Total governmental activities	<u>\$ 12,316,185</u>	<u>\$ 54,658</u>	<u>\$ 3,331,481</u>	<u>(8,930,046)</u>
General revenues				
Property taxes, levied for general purposes				1,114,783
Property taxes, levied for debt service				1,363,257
Investment earnings (loss)				(85,769)
State sources				7,280,512
Intermediate sources				185,518
Other				41,724
Total general revenues				<u>9,900,025</u>
CHANGE IN NET POSITION				969,979
NET POSITION, beginning of year				<u>(18,213,416)</u>
NET POSITION, end of year				<u>\$ (17,243,437)</u>

See notes to financial statements.

**DECATUR PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Debt Service		Total Nonmajor Funds	Total Governmental Funds
		2010 Building and Site Bonds Series A (QSCB)	2015 Refunding Bonds		
ASSETS					
Cash and cash equivalents	\$ 1,785,770	\$ 257,830	\$ 15,961	\$ 689,578	\$ 2,749,139
Investments	1,012,493	-	-	-	1,012,493
Receivables					
Accounts receivable	12,887	-	-	-	12,887
Intergovernmental	2,208,578	-	-	59,428	2,268,006
Taxes	94,563	59,274	27,266	1,541	182,644
Due from other funds	208,213	-	805,654	104,961	1,118,828
Inventories	-	-	-	50,885	50,885
Prepays	14,161	-	-	40,000	54,161
Restricted investments	-	7,330,251	-	-	7,330,251
TOTAL ASSETS	<u>\$ 5,336,665</u>	<u>\$ 7,647,355</u>	<u>\$ 848,881</u>	<u>\$ 946,393</u>	<u>\$ 14,779,294</u>

See notes to financial statements.

		Debt Service			
	General Fund	2010 Building and Site Bonds Series A (QSCB)	2015 Refunding Bonds	Total Nonmajor Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Payables					
Accounts payable	\$ 60,865	\$ -	\$ -	\$ 78,400	\$ 139,265
Due to other funds	76,922	1,041,906	-	-	1,118,828
Note payable	840,000	-	-	-	840,000
Accrued interest payable	16,670	-	-	-	16,670
Accrued salaries and related items	537,698	-	-	-	537,698
Accrued retirement	322,829	-	-	-	322,829
Unearned revenue	2,825	-	-	2,725	5,550
TOTAL LIABILITIES	1,857,809	1,041,906	-	81,125	2,980,840
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	50,885	50,885
Prepays	14,161	-	-	40,000	54,161
Restricted for					
Debt service	-	6,605,449	848,881	31,674	7,486,004
Food service	-	-	-	392,820	392,820
Committed for student/school activities	-	-	-	349,889	349,889
Assigned for subsequent years expenditures	765,982	-	-	-	765,982
Unassigned	2,698,713	-	-	-	2,698,713
TOTAL FUND BALANCES	3,478,856	6,605,449	848,881	865,268	11,798,454
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,336,665	\$ 7,647,355	\$ 848,881	\$ 946,393	\$ 14,779,294

See notes to financial statements.

DECATUR PUBLIC SCHOOLS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total governmental fund balances		\$ 11,798,454
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - related to pensions		5,327,291
Deferred inflows of resources - related to pensions		(249,568)
Deferred outflows of resources - related to other postemployment benefits		1,385,613
Deferred inflows of resources - related to other postemployment benefits		(1,950,009)
Deferred inflows of resources - related to state pension funding for pension		(1,158,133)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	\$ 27,792,248	
Accumulated depreciation/amortization is	<u>(16,539,826)</u>	11,252,422
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable		(22,693,570)
Direct borrowing and direct placement		(4,086,106)
Compensated absences		(194,132)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(329,948)
Net pension liability		(15,449,365)
Net other postemployment benefits liability		<u>(896,386)</u>
Net position of governmental activities		<u><u>\$ (17,243,437)</u></u>

See notes to financial statements.

DECATUR PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

		Debt Service			
	General Fund	2010 Building and Site Bonds Series A (QCSB)	2015 Refunding Bonds	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources					
Property taxes	\$ 1,114,783	\$ 914,377	\$ 424,068	\$ 24,812	\$ 2,478,040
Food sales	-	-	-	18,918	18,918
Investment earnings (loss)	15,465	(103,887)	-	2,653	(85,769)
Student/school activities	-	-	-	74,789	74,789
Other	68,165	-	-	24,084	92,249
Total local sources (uses)	1,198,413	810,490	424,068	145,256	2,578,227
State sources	8,369,619	-	-	16,166	8,385,785
Federal sources	1,300,072	596,284	-	783,838	2,680,194
Intermediate school districts	185,518	-	-	-	185,518
TOTAL REVENUES	11,053,622	1,406,774	424,068	945,260	13,829,724
EXPENDITURES					
Current					
Instruction	6,073,034	-	-	-	6,073,034
Supporting services	4,039,990	-	-	-	4,039,990
Food service activities	-	-	-	717,410	717,410
Student/school activities	-	-	-	76,094	76,094
Community service activities	19,568	-	-	-	19,568
Capital outlay	164,340	-	-	48,142	212,482

See notes to financial statements.

		Debt service			
	General Fund	2010 Building and Site Bonds Series A (QCSB)	2015 Refunding Bonds	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)					
Debt service					
Principal repayment	\$ 30,509	\$ -	\$ 990,000	\$ -	\$ 1,020,509
Interest	21,505	732,075	246,875	153,786	1,154,241
Other	-	4,219	1,040	1,131	6,390
TOTAL EXPENDITURES	10,348,946	736,294	1,237,915	996,563	13,319,718
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	704,676	670,480	(813,847)	(51,303)	510,006
OTHER FINANCING SOURCES (USES)					
School loan revolving fund issuance	-	-	778,335	52,562	830,897
Proceeds from installment loan	65,400	-	-	-	65,400
Proceeds from sale of capital assets	5,215	-	-	-	5,215
TOTAL OTHER FINANCING SOURCES (USES)	70,615	-	778,335	52,562	901,512
NET CHANGE IN FUND BALANCES	775,291	670,480	(35,512)	1,259	1,411,518
FUND BALANCES					
Beginning of year	2,703,565	5,934,969	884,393	864,009	10,386,936
End of year	\$ 3,478,856	\$ 6,605,449	\$ 848,881	\$ 865,268	\$ 11,798,454

See notes to financial statements.

**DECATUR PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net change in fund balances total governmental funds **\$ 1,411,518**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation/ amortization:

Depreciation/amortization expense	(956,497)
Capital outlay	164,913

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	214,495
Accrued interest payable, end of the year	(329,948)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:

School loan revolving fund issuance	(830,897)
Payments on bonded debt	990,000
Payments on lease	17,828
Proceeds from installment loan	(65,400)
Payments on installment loan	12,681
Amortization of bond discounts	(5,089)
Amortization of bond premiums	74,428

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year	291,612
Accrued compensated absences, end of the year	(194,132)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	42,662
Other postemployment benefits related items	680,580

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions made subsequent to the measurement period:

State aid funding for pension	(548,775)
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Change in net position of governmental activities	\$ 969,979
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See notes to financial statements.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes, and intergovernmental revenues.

Reporting Entity

The Decatur Public Schools (the “District”) is governed by the Decatur Public Schools Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District’s funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds*:

The *General Fund* is the District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2010 Building & Site Series A (QSCB)* and *2015 Refunding debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Additionally, the District reports the following *Nonmajor Fund Types*:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in the special revenue funds.

The *Debt Service Funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source.

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

The appropriate budget is prepared by fund and function. The business manager's office may make transfers of appropriations with a function. Transfers of appropriations between functions require approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The budget was amended during the year with supplemental appropriations. The budget was approved prior to June 30, 2023. The District does not consider the amendments to be significant. Violations, if any, are noted in the required supplementary information section.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit.

Investments

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

**DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Investments (continued)

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. The other capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and additions	20 - 50
Equipment and furniture	5 - 10
Site improvements	15
Transportation equipment	5 - 8
Right to use - leased equipment	5

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public 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 Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualifies for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Net Position Flow Assumption (continued)

In the computation of net invested in capital assets, school bond revolving fund principal proceeds of \$3,970,292 are considered capital-related debt. Accrued interest on the school loan revolving fund of \$244,662 is not considered capital related debt.

During the year ended June 30, 2020 the District issued bonded debt in the amount of \$4,865,000 used to make principal and interest payments related to the School Loan Revolving fund. As of June 30, 2023 the outstanding balance was \$4,865,000. Of this amount, 10% of these proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The remaining 90% allocation of this debt, \$4,378,500 is considered capital related debt at June 30, 2023.

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the superintendent and finance director to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Leases

The District is a lessee for a noncancelable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value that it considers significant to the government-wide financial statements, or with annual lease payments that are considered significant to the fund in which they are accounted for.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2023, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	7.43

Compensated Absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2023 the District had deposits and investments subject to the following risk:

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, \$2,358,536 of the District's bank balance of \$2,782,066 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificates of deposits, in the amount of \$187,690, are included in the above totals. The carrying value on the books for deposits at the end of the year was \$2,749,139.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Interest Rate Risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Investment Type	Fair Value	Weighted Average Maturity (years)
U.S. Treasury Notes and Strips	\$ 7,325,384	3.6728
Federated Treasury Obligation Fund	4,867	0.0027
MILAF External Investment pool - Max	1,012,493	N/A
Total fair value	<u>\$ 8,342,744</u>	
Portfolio weighted average maturity		<u>3.2249</u>

1 day maturity equals 0.0027, one year equals 1.00.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
U.S. Treasury Strip	\$ 7,325,384	AA+	Standard & Poor's
Federated Treasury Obligation Fund	4,867	AA+	Standard & Poor's
MILAF External Investment pool - Max	<u>1,012,493</u>	AAAm	Standard & Poor's
Total fair value	<u><u>\$ 8,342,744</u></u>		

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

<u>Investments by Fair Value Level</u>	<u>Level 2</u>
U.S. government securities Treasury STRIPS	\$ 7,325,384
Federated treasury obligations	<u>4,867</u>
Total	<u><u>\$ 7,330,251</u></u>

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	<u>Amortized Cost</u>
MILAF External Investment pool - Max	<u>\$ 1,012,493</u>

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2023:

	<u>Primary Government</u>
Cash and cash equivalents	\$ 2,749,139
Investments	1,012,493
Restricted investments - debt service	<u>7,330,251</u>
	<u>\$ 11,091,883</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2023 consist of the following:

	<u>Government- wide</u>
State aid	\$ 1,526,013
Federal	733,267
Van Buren ISD	<u>8,726</u>
	<u>\$ 2,268,006</u>

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES (continued)

Amounts reported as intergovernmental receivable includes amounts due from federal, state and local sources for various projects, programs and property taxes.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Assets not being depreciated/amortized				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets being depreciated/amortized				
Building and additions	21,782,475	-	-	21,782,475
Equipment and furniture	2,936,419	100,413	-	3,036,832
Site improvements	2,124,430	-	-	2,124,430
Transportation equipment	767,835	64,500	178,599	653,736
Right to use - leased equipment	94,775	-	-	94,775
			-	
Subtotal	27,705,934	164,913	178,599	27,692,248
Accumulated depreciation/amortization				
Building and additions	11,216,132	611,855	-	11,827,987
Equipment and furniture	2,294,141	143,261	-	2,437,402
Site improvements	1,491,610	141,628	-	1,633,238
Transportation equipment	746,193	40,434	178,599	608,028
Right to use - leased equipment	13,852	19,319	-	33,171
			-	
Total accumulated depreciation/amortization	15,761,928	956,497	178,599	16,539,826
Net capital assets being depreciated/amortized	11,944,006	(791,584)	-	11,152,422
Net governmental capital assets	\$ 12,044,006	\$ (791,584)	\$ -	\$ 11,252,422

Depreciation/amortization for the fiscal year ended June 30, 2023 amounted to \$956,497. The District determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2023, the District has a state aid anticipation note payable outstanding in the amount of \$840,000. Proceeds of the notes were used to fund school operations. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. At issuance, the note had an interest rate, initial balance, and maturity as follows:

<u>Note</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
2022A-2	\$ 840,000	1.99%	August 21, 2023

The State Aid note is secured by the full faith and credit of the District as well as pledged state aid. The current year changes are as follows:

<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2023</u>
<u>\$ 100,000</u>	<u>\$ 840,000</u>	<u>\$ 100,000</u>	<u>\$ 840,000</u>

NOTE 6 - LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

	<u>General Obligation Bonds</u>	<u>Direct Borrowings and Direct Placements</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance July 1, 2022	\$ 23,752,909	\$ 3,220,318	\$ 291,612	\$ 27,264,839
Additions	-	896,297	-	896,297
Deletions	<u>(1,059,339)</u>	<u>(30,509)</u>	<u>(97,480)</u>	<u>(1,187,328)</u>
Balance June 30, 2023	22,693,570	4,086,106	194,132	26,973,808
Due within one year	<u>(1,015,000)</u>	<u>(30,898)</u>	<u>(67,946)</u>	<u>(1,113,844)</u>
Due in more than one year	<u>\$ 21,678,570</u>	<u>\$ 4,055,208</u>	<u>\$ 126,186</u>	<u>\$ 25,859,964</u>

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligation debt at June 30, 2023 is comprised of the following:

General Obligation Bonds

2019 Refunding bonds due in annual installments of \$1,325,000 to \$2,185,000 from May 1, 2028 through May 1, 2030 with interest from 2.43% to 2.53%.	\$ 4,865,000
2015 School improvement and bus bonds due in annual installments of \$305,000 through May 1, 2025 with interest from 2.00% to 3.00%.	610,000
2015 Refunding bonds due in annual installments of \$710,000 to \$875,000 through May 1, 2029 with interest from 3.00% to 5.00%.	4,770,000
2010 Qualified school construction bonds due in annual sinking payments to a set aside account of \$873,077 through May 1, 2027 with a bond payment of \$11,350,000 on May 1, 2027. The bonds carry an interest rate of 6.45% before interest tax credits.	11,350,000
2010 Serial bonds due in annual installments of \$100,000 from May 1, 2030 through May 1, 2036 with interest from 4.65% to 4.75%.	700,000
Less issuance discounts	(17,221)
Plus issuance premium	<u>415,791</u>
Total general obligation bonds	<u>22,693,570</u>

Direct Borrowings and Direct Placements

Borrowings from the State of Michigan under the School Loan Revolving Fund Program, excluding interest at 4.11% at June 30, 2023.	3,970,292
Copier lease due in quarterly installments of \$5,200 through November 1, 2026, with an implied interest rate of 4.00%.	63,095
Bus loan due in annual installments of \$14,645 through June 1, 2027, including interest at 4.35%.	<u>52,719</u>
Total direct borrowings and direct placements	<u>4,086,106</u>

Compensated Absences

Obligation under contract for compensated absences	<u>194,132</u>
Total general long-term obligations	<u><u>\$ 26,973,808</u></u>

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$115,814 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

Borrowing from the State of Michigan - The school loan revolving fund payable represents a note payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rate of 4.11% has been assessed for the year ended June 30, 2023. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.43 mills. The school district is required to levy 7.43 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 7.43 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

Interest expense (all funds) for the year ended June 30, 2023 was approximately \$1,154,000, of which the District received \$596,284 in federal tax credits.

The annual requirements to amortize long-term debt outstanding as of June 30, 2023, including interest are as follows:

Year Ending June 30,	General Obligation Bonds		Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2024	\$ 1,015,000	\$ 1,099,236	\$ 30,898	\$ 4,548	\$ -	\$ 2,149,682
2025	1,050,000	1,056,110	32,194	2,951	-	2,141,255
2026	780,000	1,009,710	33,539	1,907	-	1,825,156
2027	12,165,000	978,510	19,183	661	-	13,163,354
2028	2,170,000	213,836	-	-	-	2,383,836
2029 - 2033	4,815,000	306,592	-	-	-	5,121,592
2034 - 2036	300,000	28,500	-	-	-	328,500
	22,295,000	4,692,494	115,814	10,067	-	27,113,375
Issuance discounts	(17,221)	-	-	-	-	(17,221)
Issuance premium	415,791	-	-	-	-	415,791
School loan revolving fund	-	-	3,970,292	244,662	-	4,214,954
Compensated absences	-	-	-	-	194,132	194,132
	<u>\$ 22,693,570</u>	<u>\$ 4,692,494</u>	<u>\$ 4,086,106</u>	<u>\$ 254,729</u>	<u>\$ 194,132</u>	<u>\$ 31,921,031</u>

The District anticipates receiving \$2,350,068 in federal tax credit payments to offset interest payments on the Qualified School Construction Bonds.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) 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. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor

**DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution Plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus Plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 Plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 Plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 Plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

**DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care 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.

Retiree Healthcare Reform of 2012

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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

**DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$1,953,000. Of the total pension contributions approximately \$1,908,000 was contributed to fund the Defined Benefit Plan and approximately \$45,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$365,000. Of the total OPEB contributions approximately \$332,000 was contributed to fund the Defined Benefit Plan and approximately \$33,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total pension liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan fiduciary net position	\$ 58,268,076,344	\$ 62,717,060,920
Net pension liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate share	0.04108%	0.03822%
Net pension liability for the District	\$ 15,449,365	\$ 9,049,048

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

For the year ended June 30, 2023, the District recognized pension expense of \$1,864,863.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 2,654,754	\$ -
Net difference between projected and actual plan investment earnings	36,229	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	688,815	(215,025)
Differences between expected and actual experience	154,548	(34,543)
Reporting Unit's contributions subsequent to the measurement date	<u>1,792,945</u>	<u>-</u>
	<u>\$ 5,327,291</u>	<u>\$ (249,568)</u>

\$1,792,945, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

<u>Year Ending September 30</u>	<u>Amount</u>
2023	\$ 858,941
2024	761,479
2025	704,276
2026	960,082

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total other postemployment benefits liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan fiduciary net position	\$ 10,404,650,683	\$ 10,520,015,621
Net other postemployment benefits liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate share	0.04232%	0.03846%
Net other postemployment benefits liability for the District	\$ 896,386	\$ 587,096

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

For the year ended June 30, 2023, the District recognized OPEB benefit of \$348,533.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

At June 30, 2023, the Reporting Unit 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
Changes of assumptions	\$ 798,977	\$ (65,057)
Net difference between projected and actual plan investment earnings	70,060	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	231,138	(129,276)
Differences between expected and actual experience	-	(1,755,676)
Reporting Unit's contributions subsequent to the measurement date	285,438	-
	<u>\$ 1,385,613</u>	<u>\$ (1,950,009)</u>

\$285,438, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Amount
2023	\$ (369,730)
2024	(288,095)
2025	(239,720)
2026	20,280
2027	19,428
2028	8,003

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions -

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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 coverage 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.

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.1%
International Equity Pools	15.0%	6.7%
Private Equity Pools	16.0%	8.7%
Real Estate and Infrastructure Pools	10.0%	5.3%
Fixed Income Pools	13.0%	-0.2%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pool	10.0%	5.8%
Short Term Investment Pools	2.0%	-0.5%
	<u>100.0%</u>	

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

Rate of Return - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

**DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit'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 point higher than the current rate:

	Pension		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Reporting Unit's proportionate share of the net pension liability	<u>\$ 20,387,422</u>	<u>\$ 15,449,365</u>	<u>\$ 11,380,183</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	<u>1% Decrease</u>	<u>Discount rate</u>	<u>1% Increase</u>
Reporting Unit's proportionate share of the net other postemployment benefits liability	<u>\$ 1,503,600</u>	<u>\$ 896,386</u>	<u>\$ 385,035</u>

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 375,363	\$ 896,386	\$ 1,481,243

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2022 Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

**DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2023 are as follows:

	Due from Other Funds			Total
	General Fund	2015 Refunding Bonds	Nonmajor Governmental Funds	
Due to other funds				
General fund	\$ -	\$ -	\$ 76,922	\$ 76,922
2010 Building and Site Bonds Series A	208,213	805,654	28,039	1,041,906
Total	<u>\$ 208,213</u>	<u>\$ 805,654</u>	<u>\$ 104,961</u>	<u>\$ 1,118,828</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 10 - SUBSEQUENT EVENTS

The District has approved borrowing \$900,000 for fiscal year 2024 to replace the note payable as described in Note 5.

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*).

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. 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; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. There were no property taxes abated during 2023 by municipalities under these programs.

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no abatements made by the District.

DECATUR PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the District's financial statement after the adoption of GASB Statement 96.

REQUIRED SUPPLEMENTARY INFORMATION

**DECATUR PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 1,140,612	\$ 1,175,900	\$ 1,198,413	\$ 22,513
State sources	6,542,643	8,294,180	8,369,619	75,439
Federal sources	917,336	1,151,413	1,300,072	148,659
Intermediate school districts	243,162	171,762	185,518	13,756
TOTAL REVENUES	8,843,753	10,793,255	11,053,622	260,367
EXPENDITURES				
Current				
Instruction				
Basic programs	4,523,170	4,925,067	4,814,766	110,301
Added needs	1,266,499	1,276,684	1,258,268	18,416
Total instruction	5,789,669	6,201,751	6,073,034	128,717
Supporting services				
Pupil	215,816	315,542	279,510	36,032
Instructional staff	177,255	80,023	74,173	5,850
General administration	335,805	338,350	340,576	(2,226)
School administration	491,596	525,593	529,268	(3,675)
Business	357,510	444,717	426,182	18,535
Operation/maintenance	916,617	1,241,363	1,248,646	(7,283)
Pupil transportation	286,672	427,893	377,421	50,472
Central	442,346	419,750	406,393	13,357
Athletics	311,338	363,747	357,821	5,926
Total supporting services	3,534,955	4,156,978	4,039,990	116,988
Community services	11,600	10,000	19,568	(9,568)
Debt Service				
Principal repayment	-	29,709	30,509	(800)
Interest	-	-	21,505	(21,505)
Capital outlay	-	-	164,340	(164,340)
TOTAL EXPENDITURES	9,336,224	10,398,438	10,348,946	49,492
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(492,471)	394,817	704,676	309,859
OTHER FINANCING SOURCES (USES)				
Transfer in	24,120	26,830	-	(26,830)
Transfers out	-	(457)	-	457
Proceeds from installment loan	-	65,400	65,400	-
Proceeds from sale of capital assets	-	5,000	5,215	215
TOTAL OTHER FINANCING SOURCES (USES)	24,120	96,773	70,615	(26,158)
NET CHANGE IN FUND BALANCE	\$ (468,351)	\$ 491,590	775,291	\$ 283,701
FUND BALANCE				
Beginning of year			2,703,565	
End of year			\$ 3,478,856	

**DECATUR PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability	0.04108%	0.03822%	0.03800%	0.03923%	0.04184%	0.04409%	0.04519%	0.04585%	0.04639%
Reporting Unit's proportionate share of net pension liability	\$ 15,449,365	\$ 9,049,048	\$ 13,053,836	\$ 12,990,822	\$ 12,576,771	\$ 11,424,663	\$ 11,274,114	\$ 11,197,817	\$ 10,217,703
Reporting Unit's covered-employee payroll	\$ 4,329,089	\$ 3,426,900	\$ 3,266,092	\$ 3,342,490	\$ 3,438,313	\$ 3,660,067	\$ 3,781,527	\$ 3,816,082	\$ 3,938,767
Reporting Unit's proportionate share of net pension as a percentage of its covered-employee payroll	356.87%	264.06%	399.68%	388.66%	365.78%	312.14%	298.14%	293.44%	259.41%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**DECATUR PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF YEAR ENDED JUNE 30)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required pension contributions	\$ 1,907,525	\$ 1,399,064	\$ 996,649	\$ 1,032,839	\$ 1,031,995	\$ 1,093,612	\$ 1,024,430	\$ 988,875	\$ 831,655
Pension contributions in relation to statutorily required contributions	<u>1,907,525</u>	<u>1,399,064</u>	<u>996,649</u>	<u>1,032,839</u>	<u>1,031,995</u>	<u>1,093,612</u>	<u>1,024,430</u>	<u>988,875</u>	<u>831,655</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (Pension)	\$ 4,046,375	\$ 4,115,613	\$ 3,275,657	\$ 3,296,327	\$ 3,386,968	\$ 3,444,726	\$ 3,790,986	\$ 3,796,716	\$ 3,834,265
Pension contributions as a percentage of covered-employee payroll	47.14%	33.99%	30.43%	31.33%	30.47%	31.75%	27.02%	26.05%	21.69%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**DECATUR PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.04232%	0.03846%	0.03777%	0.03860%	0.04040%	0.04411%
Reporting Unit's proportionate share of net other post employment benefits liability	\$ 896,386	\$ 587,096	\$ 2,023,613	\$ 2,770,686	\$ 3,211,514	\$ 3,906,077
Reporting Unit's covered-employee payroll	\$ 4,329,089	\$ 3,426,900	\$ 3,266,092	\$ 3,342,490	\$ 3,438,313	\$ 3,660,067
Reporting Unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	20.71%	17.13%	61.96%	82.89%	93.40%	106.72%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	83.09%	87.33%	59.44%	48.48%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**DECATUR PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF YEAR ENDED JUNE 30)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required other postemployment benefits contributions	\$ 332,047	\$ 351,252	\$ 239,719	\$ 286,940	\$ 279,476	\$ 299,198
Other postemployment benefits contributions in relation to statutorily required contributions	<u>332,047</u>	<u>351,252</u>	<u>239,719</u>	<u>286,940</u>	<u>279,476</u>	<u>299,198</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 4,046,375	\$ 4,115,613	\$ 3,275,657	\$ 3,296,327	\$ 3,386,968	\$ 3,444,726
Other postemployment benefits contributions as a percentage of covered-employee payroll	8.21%	8.53%	7.32%	8.70%	8.25%	8.69%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

DECATUR PUBLIC SCHOOLS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate decreased to 6.00% from 6.95%.

ADDITIONAL SUPPLEMENTARY INFORMATION

**DECATUR PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2023**

	Special Revenue		Debt Service		Total
	Food Service	Student/ School Activities	2010 Building and Site Bonds Series B	2019 Refunding Bonds	Nonmajor Funds
ASSETS					
Cash and cash equivalents	\$ 337,595	\$ 349,889	\$ 1,270	\$ 824	\$ 689,578
Receivables					
Intergovernmental	59,428	-	-	-	59,428
Taxes	-	-	948	593	1,541
Due from other funds	76,922	-	28,039	-	104,961
Inventories	50,885	-	-	-	50,885
Prepays	40,000	-	-	-	40,000
TOTAL ASSETS	\$ 564,830	\$ 349,889	\$ 30,257	\$ 1,417	\$ 946,393
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 78,400	\$ -	\$ -	\$ -	\$ 78,400
Unearned revenue	2,725	-	-	-	2,725
TOTAL LIABILITIES	81,125	-	-	-	81,125
FUND BALANCES					
Nonspendable					
Inventories	50,885	-	-	-	50,885
Prepays	40,000	-	-	-	40,000
Restricted for debt service	-	-	30,257	1,417	31,674
Restricted for food service	392,820	-	-	-	392,820
Committed for student/school activities	-	349,889	-	-	349,889
TOTAL FUND BALANCES	483,705	349,889	30,257	1,417	865,268
TOTAL LIABILITIES AND FUND BALANCES	\$ 564,830	\$ 349,889	\$ 30,257	\$ 1,417	\$ 946,393

DECATUR PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2023

	Special Revenue		Debt Service		Total
	Food Service	Student/ School Activities	2010 Building and Site Bonds Series B	2019 Refunding Bonds	Nonmajor Funds
REVENUES					
Local sources					
Property taxes	\$ -	\$ -	\$ 14,770	\$ 10,042	\$ 24,812
Food sales	18,918	-	-	-	18,918
Investment earnings	543	2,110	-	-	2,653
Other	24,084	-	-	-	24,084
Student/school activities	-	74,789	-	-	74,789
State sources	16,166	-	-	-	16,166
Federal sources	783,838	-	-	-	783,838
TOTAL REVENUES	843,549	76,899	14,770	10,042	945,260
EXPENDITURES					
Current					
Food service activities					
Purchased services	328,717	-	-	-	328,717
Supplies and materials	386,976	-	-	-	386,976
Capital outlay	48,142	-	-	-	48,142
Other expenses	1,717	-	-	-	1,717
Student/school activities	-	76,094	-	-	76,094
Debt service					
Interest	-	-	32,850	120,936	153,786
Other expenses	-	-	790	341	1,131
TOTAL EXPENDITURES	765,552	76,094	33,640	121,277	996,563
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	77,997	805	(18,870)	(111,235)	(51,303)
OTHER FINANCING SOURCES (USES)					
School loan revolving fund issuance	-	-	11,663	40,899	52,562
NET CHANGE IN FUND BALANCES	77,997	805	(7,207)	(70,336)	1,259
FUND BALANCES					
Beginning of year	405,708	349,084	37,464	71,753	864,009
End of year	<u>\$ 483,705</u>	<u>\$ 349,889</u>	<u>\$ 30,257</u>	<u>\$ 1,417</u>	<u>\$ 865,268</u>

**DECATUR PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$4,865,000 Refunding bonds issued October 1, 2019:

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ -	\$ 60,468	\$ 60,468	2024	\$ 120,936
-	60,468	60,468	2025	120,936
-	60,468	60,468	2026	120,936
-	60,468	60,468	2027	120,936
1,325,000	60,468	60,468	2028	1,445,936
1,355,000	44,389	44,389	2029	1,443,778
2,185,000	27,607	27,607	2030	2,240,214
<u>\$ 4,865,000</u>	<u>\$ 374,336</u>	<u>\$ 374,336</u>		<u>\$ 5,613,672</u>

The bonds were approved by the board of education to refinance a portion of the school loan revolving fund payable. The bonds will carry interest rates from 2.43% to 2.53%.

**DECATUR PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$2,620,000 School Improvement and Bus Bond, issued in October 2015:

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 305,000	\$ 8,388	\$ 8,388	2024	\$ 321,776
305,000	4,575	4,575	2025	314,150
<u>\$ 610,000</u>	<u>\$ 12,963</u>	<u>\$ 12,963</u>		<u>\$ 635,926</u>

The above bonds were authorized at an election on August 4, 2015 for the purpose of acquiring, installing, and equipping instructional technology; partially remodeling the school building for roofing replacement; and purchasing school buses. The bonds carry interest rates from 2.00% to 3.00%.

**DECATUR PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$8,565,000 Refunding bonds issued February 12, 2015:

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 710,000	\$ 98,300	\$ 98,300	2024	\$ 906,600
745,000	80,550	80,550	2025	906,100
780,000	61,925	61,925	2026	903,850
815,000	46,325	46,325	2027	907,650
845,000	30,025	30,025	2028	905,050
875,000	13,125	13,125	2029	901,250
<u>\$ 4,770,000</u>	<u>\$ 330,250</u>	<u>\$ 330,250</u>		<u>\$ 5,430,500</u>

The bonds were approved by the board of education to refinance \$9,185,500 of the 2005 bond refunding. The bonds will refinance the 2016 through 2029 payments. The bonds will carry interest rates from 3.00% to 5.00%.

**DECATUR PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$11,350,000 School Building and Site Bonds, Series A (Federally Taxable-Qualified School Construction Bonds) issued in 2010:

Principal Due May 1	Interest Due			Debt Service Requirement for Fiscal Year	
	May 1	November 1	QSCB Credit	June 30,	Amount
\$ -	\$ 366,037	\$ 366,037	\$ (587,517)	2024	\$ 144,557
-	366,037	366,037	(587,517)	2025	144,557
-	366,037	366,037	(587,517)	2026	144,557
11,350,000	366,037	366,037	(587,517)	2027	11,494,557
<u>\$ 11,350,000</u>	<u>\$ 1,464,148</u>	<u>\$ 1,464,148</u>	<u>\$ (2,350,068)</u>		<u>\$ 11,928,228</u>

The above bonds were authorized at an election November 3, 2009 and have an interest rate of 6.45% before interest tax credits. The bonds were issued for the purpose of partially remodeling, furnishing and refurbishing, equipping and re-equipping school facilities; acquiring, installing and equipping technology for instructional purposes; constructing, equipping, developing and improving athletic facilities, play fields and playgrounds; developing and improving sites.

The District designated the above bonds as "Qualified School Construction Bonds" as defined in Section 54F of the Internal Revenue Code of 1986, as amended, and will irrevocably elect under Section 6431(f)(2) of the code to receive direct payments from the United States Treasury equal to the lesser of the amount of interest payable on the bonds or the amount of interest which would have been payable on the bonds if interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the code. The District will deposit all such credits into the debt retirement fund pledged for the payment of the bonds. Starting May 1, 2015, and through May 1, 2026, the District will make mandatory deposits into a sinking fund for the repayment of the principal on May 1, 2027.

**DECATUR PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$700,000 School Building and Site Bonds, Series B issued in 2010:

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ -	\$ 16,425	\$ 16,425	2024	\$ 32,850
-	16,425	16,425	2025	32,850
-	16,425	16,425	2026	32,850
-	16,425	16,425	2027	32,850
-	16,425	16,425	2028	32,850
-	16,425	16,425	2029	32,850
100,000	16,425	16,425	2030	132,850
100,000	14,100	14,100	2031	128,200
100,000	11,775	11,775	2032	123,550
100,000	9,450	9,450	2033	118,900
100,000	7,125	7,125	2034	114,250
100,000	4,750	4,750	2035	109,500
100,000	2,375	2,375	2036	104,750
<u>\$ 700,000</u>	<u>\$ 164,550</u>	<u>\$ 164,550</u>		<u>\$ 1,029,100</u>

The above bonds were authorized at an election November 3, 2009 and have interest rates from 4.65% to 4.75%. The bonds were issued for the purpose of partially remodeling, furnishing and refurnishing, equipping and re-equipping school facilities; acquiring, installing and equipping technology for instructional purposes; constructing, equipping, developing and improving athletic facilities, play fields and playgrounds; developing and improving sites.

DECATUR PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING PROGRAM
JUNE 30, 2023

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provide funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from and repayments to the state under this program have been summarized as follows:

Year Ended June 30,	Loan Proceeds (Payments)	Interest Expense (Payments)	Loan Balance (Net Change)
2012	\$ 167,069	\$ 3,510	\$ 170,579
2013	435,408	12,391	447,799
2014	373,070	28,709	401,779
2015	376,778	41,787	418,565
2016	546,000	56,312	602,312
2017	377,655	70,274	447,929
2018	916,533	85,847	1,002,380
2019	1,100,440	125,882	1,226,322
2020	1,114,305	61,003	1,175,308
2020 refinance payment	(4,292,178)	(476,822)	(4,769,000)
2021	1,402,640	45,714	1,448,354
2022	621,675	69,018	690,693
2023	830,897	121,037	951,934
Total June 30, 2023	<u>\$ 3,970,292</u>	<u>\$ 244,662</u>	<u>\$ 4,214,954</u>

DECATUR PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS – FIRST STATE BANK OF DECATUR
INSTALLMENT LOAN
JUNE 30, 2023

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	June 1	June 30,	Amount	
\$ 12,345	\$ 2,300	2024	\$ 14,645	
12,889	1,756	2025	14,645	
13,450	1,195	2026	14,645	
14,035	610	2027	14,645	
<u>\$ 52,719</u>	<u>\$ 5,861</u>		<u>\$ 58,580</u>	

DECATUR PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts (Payments)	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Agriculture</u>									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash assistance (donated foods)									
National School Lunch Program - Entitlement	10.555	N/A	\$ 46,529	\$ -	\$ -	\$ -	\$ 46,529	\$ 46,529	\$ -
National School Lunch Program - Bonus		N/A	8,999	-	-	-	8,999	8,999	-
Total non-cash assistance			55,528	-	-	-	55,528	55,528	-
Cash Assistance									
National School Lunch Program	10.555	220910	30,617	-	-	-	30,617	30,617	-
		230910	11,766	-	-	-	11,766	11,766	-
		221960	395,717	10,023	342,349	-	53,368	63,391	-
		231960	338,000	-	-	-	338,000	338,000	-
			776,100	10,023	342,349	-	433,751	443,774	-
Total ALN 10.555			831,628	10,023	342,349	-	489,279	499,302	-
School Breakfast Program	10.553	221970	230,272	6,625	201,025	-	29,247	35,872	-
		231970	201,388	-	-	-	201,388	201,388	-
Total ALN 10.553			431,660	6,625	201,025	-	230,635	237,260	-
Summer Food Service Program for Children	10.559	220900	2,911	-	-	-	2,911	2,911	-
		230900	194,919	-	-	-	45,515	-	45,515
Total ALN 10.559			197,830	-	-	-	48,426	2,911	45,515
Total Child Nutrition Cluster			1,461,118	16,648	543,374	-	768,340	739,473	45,515
Child Nutrition Discretionary Grants Limited Availability	10.579	221995	10,000	-	-	-	10,000	-	10,000
Child and Adult Care Food Program	10.558	221920	1,161	23	1,089	-	49	72	-
		222010	44	1	39	-	4	5	-
		231920	685	-	-	-	701	685	16
		232010	51	-	-	-	52	51	1
Total ALN 10.558			1,941	24	1,128	-	806	813	17
COVID-19 - Pandemic EBT Local Level Costs	10.649	220980	628	-	-	-	628	628	-
Local Food for Schools Cooperative Agreement Program	10.185	230985	4,064	-	-	-	4,064	4,064	-
Total U.S. Department of Agriculture			1,477,751	16,672	544,502	-	783,838	744,978	55,532

The accompanying notes are an integral part of this schedule.

DECATUR PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts (Payments)	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Education</u>									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	221530-2122	\$ 196,504	\$ 192,901	\$ 192,901	\$ -	\$ 2,288	\$ 195,189	\$ -
		231530-2223	192,630	-	-	-	188,077	143,310	44,767
		211530-2021	213,056	3,603	-	(3,603)	-	-	-
Total ALN 84.010			602,190	196,504	192,901	(3,603)	190,365	338,499	44,767
Supporting Effective Instruction State Grants	84.367	220520-2122	38,128	30,278	30,278	-	7,850	38,128	-
		230520-2223	30,071	-	-	-	30,071	20,030	10,041
Total ALN 84.367			68,199	30,278	30,278	-	37,921	58,158	10,041
English Language Acquisition State Grants	84.365	220570-2122	709	615	615	-	-	615	-
Student Support and Academic Enrichment Program	84.424	220750-2122	14,197	13,063	13,063	-	1,134	14,197	-
		230750-2223	7,949	-	-	-	11,567	7,949	3,618
Total ALN 84.424			22,146	13,063	13,063	-	12,701	22,146	3,618
Education Stabilization Fund									
COVID-19 - Governor's Emergency Education									
Relief Fund (GEER I)	84.425C	201200-2021	63,144	720	-	(720)	-	-	-
Relief Fund (GEER II Benchmark Assessment)		211222-2022	6,550	6,550	6,550	-	-	6,550	-
COVID-19 - Elementary and Secondary School									
Emergency Relief Fund (ESSER I Formula Funds)	84.425D	203710-1920	157,447	157,447	-	-	-	157,447	-
Emergency Relief Fund (ESSER II Formula Funds)		213712-2021	674,949	353,657	331,757	-	295,082	331,757	316,982
Emergency Relief Fund (ESSER II Summer School)		213722-2122	53,900	53,166	41,942	-	-	53,166	-
Emergency Relief Fund (ESSER II Credit Recovery)		213742-2122	41,800	31,568	29,378	-	771	32,339	-
Emergency Relief Fund (ESSER II Before and After School)		213752-2122	25,000	22,927	22,927	-	-	22,927	-
Emergency Relief Fund (ESSER Education Equity Funds)		203720-1920	31,489	30,286	-	-	-	30,286	-
Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	1,516,916	-	424,745	-	710,672	446,138	264,534
Emergency Relief Fund (ESSER II 98c)		213782-2223	37,977	-	-	-	37,793	-	37,793
Total ALN 84.425			2,609,172	656,321	857,299	(720)	1,044,318	1,080,610	619,309
Total U.S. Department of Education			3,302,416	896,781	1,094,156	(4,323)	1,285,305	1,500,028	677,735
<u>U.S. Department of Health and Human Services</u>									
Passed through Van Buren Intermediate School District									
Medicaid Cluster									
Medical Assistance Program	93.778	2022	165	-	-	-	165	165	-
<u>Federal Communication Commission</u>									
Direct Program	32.009	2223							
COVID - 19 - Emergency Connectivity Funding Program			18,925	-	-	-	18,925	18,925	-
TOTAL FEDERAL AWARDS			\$ 4,799,257	\$ 913,453	\$ 1,638,658	\$ (4,323)	\$ 2,088,233	\$ 2,264,096	\$ 733,267

The accompanying notes are an integral part of this schedule.

DECATUR PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Decatur Public Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Decatur Public Schools, it is not intended to and does not present the financial position or changes in net position of Decatur Public Schools.

Management has utilized the NexSys Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Decatur Public Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2023:

General fund	\$ 1,300,072
Major debt service	596,284
Other nonmajor governmental funds	<u>783,838</u>
Total federal revenue in the fund financial statements	2,680,194
Less: Federal tax credits	(596,284)
Plus: Adjustments	<u>4,323</u>
Federal program expenditures subject to the Uniform Guidance	<u><u>\$ 2,088,233</u></u>

NOTE 4 - ADJUSTMENTS

Adjustments were made to ALN 84.010 and ALN 84.425C in the amounts of \$3,603 and \$720, respectively, for expenditures incurred in prior periods but never reported on the final expenditure report.



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

**INDEPENDENT AUDITOR'S 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***

To the Board of Education
Decatur Public Schools

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Public Schools as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Decatur Public Schools' basic financial statements and have issued our report thereon dated October 24, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Decatur Public Schools' internal control over financial reporting (internal control to determine the 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 the Decatur Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Decatur Public 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 Decatur Public 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 determination of financial statement amounts. 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.

Manes Costeian PC

October 24, 2023



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
Decatur Public Schools

Opinion on Each Major Federal Program

We have audited Decatur Public 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 Decatur Public Schools' major federal programs for the year ended June 30, 2023. Decatur Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Decatur Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Decatur Public 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 Decatur Public 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 grant agreements applicable to Decatur Public Schools' federal programs.

Auditor's 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 Decatur Public 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 generally accepted auditing standards, *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 Decatur Public Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Decatur Public 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 Decatur Public 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 Decatur Public 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Maney Costeiran PC

October 24, 2023

**DECATUR PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

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

\$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

**DECATUR PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

Finding 2022-001: Significant Deficiency (repeat finding of 2021-001 and 2020-002)

Federal Program:	Child Nutrition Cluster
Assistance Listing Number:	10.553, 10.555 and 10.559
Federal Agency:	U.S. Department of Agriculture
Pass-through entity:	Michigan Department of Education
Pass-through number:	220910, 211961 , 221961, 211971, 221971, 21904

Criteria: The District's fund balance in the food service fund is required to be less than three months of food service expenditures.

Condition: Decatur Public Schools currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during 2022-2023 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess fund cannot be transferred to the general fund.

Question costs: None

Cause: The District participated in the unanticipated closure meal and the seamless summer option reimbursement programs which is causing a larger than normal increase in the food service fund balance.

Effect: At June 30, 2022, the District's food service fund balance was greater than three months of expenditures.

Recommendation: The District should implement a budget, as well as the required corrective action plan, for the 2022-2023 school year that will adequately reduce the food service fund balance.

District's Response: The District concurs with the facts of this finding and is developing an implementation plan and procedures to prevent this in the future.

Status: Michigan Department of Education is no longer requesting excess fund balances to be reported as a finding. Michigan Department of Education is requesting that auditors inform the District via a management comment in the management letter instead.



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

October 24, 2023

To the Board of Education
Decatur Public Schools

In planning and performing our audit of the financial statements of Decatur Public Schools as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Decatur Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 24, 2023 on the financial statements of Decatur Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

New Comments

Monthly Review/Approval of Journal Entries & Bank Reconciliations

During the audit we noted no indication of review on the bank reconciliations by Patrick Creagan. An independent review of bank reconciliations is important for ensuring reconciliations are correct and thorough. We also noted that journal entries are posted without review and approval. Journal entries should be reviewed and approved by someone that did not post the journal entries to ensure they are correct. We recommend a developing a system or month-end procedure to review/check journal entries and bank reconciliations with segregation of duties in mind.

Repeat Comments

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Decatur Public Schools develop a plan to spend down the excess by June 30, 2024.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties. We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maney Costeiran PC



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

October 24, 2023

To the Board of Education
Decatur Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Public Schools for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. 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 Decatur Public Schools are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the entity adopted Governmental Accounting Standards Board (GASB) Statement No. 96 *Subscription-based IT Arrangements*, during the year ended June 30, 2023. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by Decatur Public Schools during the year for which there is a 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 financial statements were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

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 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 the financial statements taken as a whole.

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 auditor's 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 October 24, 2023.

Management Consultations with Other Independent 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 Decatur Public Schools financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the 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 Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement 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.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other 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 other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Decatur Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC