

**DECATUR PUBLIC SCHOOLS**

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

**YEAR ENDED JUNE 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Decatur Public Schools

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Decatur Public Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Decatur Public Schools' basic financial statements as listed in the table of contents.

### ***Management's Responsibility 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

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, 2021, 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.

## ***Other Matters***

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

### *Other 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 additional supplementary information, as identified in the table of contents, and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) 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.

The additional supplementary 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 additional supplementary 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 is fairly stated, in all material respects, in relation to the 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 August 23, 2021 on our consideration of Decatur Public Schools' internal control over financial reporting and on our tests of 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 the effectiveness of Decatur Public Schools' on 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.

August 23, 2021

## **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, 2021.

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.

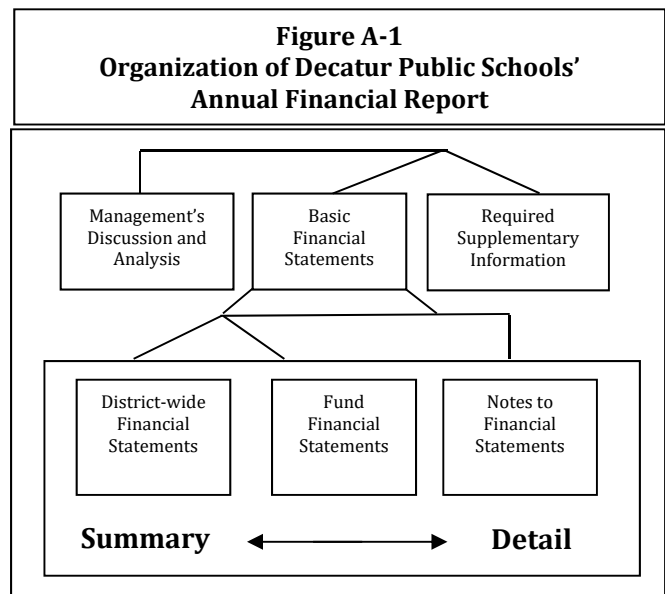
Our financial statements provide insights into the results of this year’s operations.

- 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 \$19,654,555 (*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 increased by \$482,795.
- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$10,174,455 an increase of \$2,057,895 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 \$2,509,282 or 33.7% 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.

<b>Figure A-2 Major Features of District-wide and Fund Financial Statements</b>		
	<u>District-wide Statements</u>	<u>Fund Financial Statements</u>
		<u>Governmental Funds</u>
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	* Statement of net position * Statement of activities	* 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.

### **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.

**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, 2021 and 2020.

<b>Table A-3 Decatur Public Schools Net Position</b>		
	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 12,387,402	\$ 10,076,663
Capital assets	<u>12,709,267</u>	<u>13,671,718</u>
Total assets	<u>25,096,669</u>	<u>23,748,381</u>
Deferred outflows of resources	<u>3,552,536</u>	<u>4,438,406</u>
Long-term debt outstanding	27,711,210	27,274,675
Other liabilities	2,308,133	2,030,962
Net pension liability	13,053,836	12,990,822
Net OPEB liability	<u>2,023,613</u>	<u>2,770,686</u>
Total liabilities	<u>45,096,792</u>	<u>45,067,145</u>
Deferred inflows of resources	<u>3,206,968</u>	<u>3,256,992</u>
Net position (deficit)		
Net investment in capital assets	(14,109,201)	(12,754,179)
Restricted for debt service	6,916,764	5,867,632
Restricted for food service	235,427	226,123
Unrestricted	<u>(12,697,545)</u>	<u>(13,476,926)</u>
Total net position (deficit)	<u>\$ (19,654,555)</u>	<u>\$ (20,137,350)</u>

**Table A-4**  
**Changes in Decatur Public Schools' Net Position**

	2021	2020
Revenues		
Program revenues		
Charges for services	\$ 76,157	\$ 44,456
Operating grants and contributions	2,745,739	1,936,923
General revenues		
Property taxes	2,372,994	2,218,459
Investment	(133,422)	567,965
State aid - unrestricted	5,753,404	5,828,010
Intermediate sources	234,661	54,397
Total revenues	<u>11,049,533</u>	<u>10,650,210</u>
Expenses		
Instruction	4,343,559	4,597,592
Support services	2,948,422	2,755,630
Community services	10,120	8,676
Food services	877,118	462,500
Student activities	29,609	114,146
Interest on long-term debt	1,243,068	1,239,952
Unallocated depreciation	1,114,842	1,214,270
Total expenses	<u>10,566,738</u>	<u>10,392,766</u>
Change in net position	<u>\$ 482,795</u>	<u>\$ 257,444</u>

### District Governmental Activities

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

- The State Foundation Allowance remained unchanged at \$8,111 per student in 2021.
- Student growth in the District has leveled off compared to the prior year. In fiscal year 1999 state aid membership was 1,147 and in twenty-two years has decreased by 35% to 742. Attracting and maintaining students has, and will be, a challenge for the District.
- The District's payment into Michigan Public School Employee's Retirement System (MPERS) continues to increase.
- The District has implemented planned cost cutting activities to keep pace with the decrease in District revenues and increasing employee benefit costs.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District as a whole has a combined fund balance of \$10,174,455 compared to \$8,116,560 the prior year. The fund balance increased by \$2,057,895 during the year. The District continues to try and control costs even with no significant increase in revenue, primarily due to tight budgetary controls. There are debt service funds with a combined net fund balance of \$7,011,950 and special revenue funds with a combined net fund balance of \$653,223. The general fund increased its fund balance by \$1,005,136, 2010 Building and Site debt service fund increased its fund balance by \$698,134, 2015 School Improvement and Bus fund decreased its fund balance by \$4,270, 2019 Refunding debt service increased its fund balance by \$7,435 and other nonmajor governmental funds increased by \$351,460 (food service, student/school activities, and nonmajor debt service funds).

### General Fund and Budget Highlights

During the 2021 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 \$683,930.

The final results showed that net revenues came in higher than anticipated, by \$213,846, due to higher than anticipated state aid, federal funding and property tax collection. The expenditures came in less than anticipated by \$117,850 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:

<b>Table A-5</b>				
<b>Decatur Public Schools Capital Assets</b>				
	2021			2020
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 100,000	\$ -	\$ 100,000	\$ 100,000
Buildings and additions	21,764,421	10,466,617	11,297,804	12,046,505
Equipment and furniture	2,708,025	2,205,325	502,700	552,350
Site improvements	2,095,319	1,350,305	745,014	884,703
Transportation equipment	767,835	704,086	63,749	88,160
<b>Total</b>	<b>\$ 27,435,600</b>	<b>\$ 14,726,333</b>	<b>\$ 12,709,267</b>	<b>\$ 13,671,718</b>

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

## LONG-TERM DEBT

At year end the District had \$27,656,603 long-term debt outstanding as shown in Table A-6. More detailed information is available in the notes of the financial statements.

	2021	2020
General obligation bonds and other debt	\$ 24,787,248	\$ 25,801,587
Notes from direct borrowings and direct placements	2,517,720	1,115,080
Compensated absences	351,635	349,115
	<u>\$ 27,656,603</u>	<u>\$ 27,265,782</u>

## FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The 2021 - 2022 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 this year.
- The District is expecting some additional costs to be incurred due to COVID-19.
- The District is expecting additional federal funding this year with ESSER II and ESSER III.
- Students count is projected to decline slowly over the next five years.
- 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, 2021**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,728,727
Receivables	
Intergovernmental	2,134,118
Inventories	20,970
Prepays	43,555
Restricted investments - debt service	6,460,032
Capital assets not being depreciated	100,000
Capital assets, net of accumulated depreciation	12,609,267
TOTAL ASSETS	25,096,669
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	2,646,965
Related to other postemployment benefits	905,571
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,552,536
<b>LIABILITIES</b>	
Accounts payable	44,032
Note payable	1,500,000
Accrued interest payable	98,311
Accrued salaries and related items	471,773
Accrued retirement	190,960
Unearned revenue	3,057
Noncurrent liabilities	
Due within one year	1,092,484
Due in more than one year	26,564,119
Due in more than one year - interest	54,607
Net pension liability	13,053,836
Net other postemployment benefits liability	2,023,613
TOTAL LIABILITIES	45,096,792
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	885,391
Related to other postemployment benefits	1,829,728
Related to state aid funding for pension	491,849
TOTAL DEFERRED INFLOWS OF RESOURCES	3,206,968
<b>NET POSITION</b>	
Net investment in capital assets	(14,109,201)
Restricted for debt service	6,916,764
Restricted for food service	235,427
Unrestricted	(12,697,545)
TOTAL NET POSITION	\$ (19,654,555)

See notes to financial statements.

**DECATUR PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Net (Expense) Revenue and Charges in Net Position</u>
Governmental activities				
Instruction	\$ 4,343,559	\$ -	\$ 1,108,104	\$ (3,235,455)
Support services	2,948,422	65,246	128,357	(2,754,819)
Community services	10,120	-	-	(10,120)
Food services	877,118	10,911	892,763	26,556
Student/school activities	29,609	-	20,280	(9,329)
Interest on long-term debt	1,243,068	-	596,235	(646,833)
Unallocated depreciation	1,114,842	-	-	(1,114,842)
Total governmental activities	<u>\$ 10,566,738</u>	<u>\$ 76,157</u>	<u>\$ 2,745,739</u>	<u>(7,744,842)</u>
General revenues				
Property taxes, levied for general purposes				1,055,357
Property taxes, levied for debt service				1,317,637
Investment earnings (loss)				(133,422)
State sources				5,753,404
Intermediate sources				234,661
Total general revenues				<u>8,227,637</u>
<b>CHANGE IN NET POSITION</b>				482,795
<b>NET POSITION, beginning of year</b>				<u>(20,137,350)</u>
<b>NET POSITION, end of year</b>				<u>\$ (19,654,555)</u>

See notes to financial statements.

**DECATUR PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	General Fund	Debt Service		Capital Projects		Total Nonmajor Funds	Total Governmental Funds
		2010 Building and Site Bonds Series A (QSCB)	2019 Refunding	2015 School Improvement and Bus Fund			
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,967,546	\$ 57,768	\$ 7,435	\$ -	\$ 695,978	\$ 3,728,727	
Receivables							
Intergovernmental	1,508,667	596,235	-	-	29,216	2,134,118	
Due from other funds	213,713	-	-	-	818,401	1,032,114	
Inventories	-	-	-	-	20,970	20,970	
Prepays	3,555	-	-	-	40,000	43,555	
Restricted investments	-	6,460,032	-	-	-	6,460,032	
<b>TOTAL ASSETS</b>	<b>\$ 4,693,481</b>	<b>\$ 7,114,035</b>	<b>\$ 7,435</b>	<b>\$ -</b>	<b>\$ 1,604,565</b>	<b>\$ 13,419,516</b>	
<b>LIABILITIES</b>							
Payables							
Accounts payable	\$ 18,341	\$ -	\$ -	\$ -	\$ 25,691	\$ 44,032	
Due to other funds	-	1,026,614	-	-	5,500	1,032,114	
Note payable	1,500,000	-	-	-	-	1,500,000	
Accrued interest payable	3,125	-	-	-	-	3,125	
Accrued salaries and related items	471,773	-	-	-	-	471,773	
Accrued retirement	190,960	-	-	-	-	190,960	
Unearned revenue	-	-	-	-	3,057	3,057	
<b>TOTAL LIABILITIES</b>	<b>2,184,199</b>	<b>1,026,614</b>	<b>-</b>	<b>-</b>	<b>34,248</b>	<b>3,245,061</b>	
<b>FUND BALANCES</b>							
Nonspendable							
Inventories	-	-	-	-	20,970	20,970	
Prepays	3,555	-	-	-	40,000	43,555	

See notes to financial statements.

	General Fund	Debt Service		Capital Projects	Total Nonmajor Funds	Total Governmental Funds
		2010 Building and Site Bonds Series A (QSCB)	2019 Refunding	2015 School Improvement and Bus Fund		
<b>FUND BALANCES (continued)</b>						
Restricted for						
Debt service	\$ -	\$ 6,087,421	\$ 7,435	\$ -	\$ 917,094	\$ 7,011,950
Food service	-	-	-	-	235,427	235,427
Committed for student/school activities	-	-	-	-	356,826	356,826
Unassigned						
General fund	2,505,727	-	-	-	-	2,505,727
<b>TOTAL FUND BALANCES</b>	<b>2,509,282</b>	<b>6,087,421</b>	<b>7,435</b>	<b>-</b>	<b>1,570,317</b>	<b>10,174,455</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,693,481</b>	<b>\$ 7,114,035</b>	<b>\$ 7,435</b>	<b>\$ -</b>	<b>\$ 1,604,565</b>	<b>\$ 13,419,516</b>
<b>Total governmental fund balances</b>						<b>\$ 10,174,455</b>
Amounts reported for governmental activities in the statement of net position are different because:						
Deferred outflows of resources - related to pensions						2,646,965
Deferred inflows of resources - related to pensions						(885,391)
Deferred outflows of resources - related to other postemployment benefits						905,571
Deferred inflows of resources - related to other postemployment benefits						(1,829,728)
Deferred inflows of resources - related to state pension funding for pension						(491,849)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:						
The cost of the capital assets is					\$ 27,435,600	
Accumulated depreciation is					(14,726,333)	12,709,267
Long-term liabilities are not due and payable in the current period and are not reported in the funds:						
Bonds payable						(24,787,248)
Other long-term debt						(2,517,720)
Compensated absences						(351,635)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid						(149,793)
Net pension liability						(13,053,836)
Net other postemployment benefits liability						(2,023,613)
<b>Net position of governmental activities</b>						<b>\$ (19,654,555)</b>

See notes to financial statements.

**DECATUR PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	<u>Debt Service</u>			<u>Capital Projects</u>		<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>2010 Building and Site Bonds Series A (QCSB)</u>	<u>2019 Refunding</u>	<u>2015 School Improvement and Bus Fund</u>			
<b>REVENUES</b>							
Local sources							
Property taxes	\$ 1,055,357	\$ 976,561	\$ 58,509	\$ -	\$ 282,567	\$ 2,372,994	
Food sales	-	-	-	-	3,861	3,861	
Investment earnings (loss)	3,778	(138,668)	-	1	1,467	(133,422)	
Student/school activity income	-	-	-	-	20,280	20,280	
Other	64,590	-	-	-	7,050	71,640	
Total local sources	1,123,725	837,893	58,509	1	315,225	2,335,353	
State sources	6,232,134	-	-	-	20,691	6,252,825	
Federal sources	844,972	596,235	-	-	872,628	2,313,835	
Intermediate school districts	234,661	-	-	-	-	234,661	
Total revenues	8,435,492	1,434,128	58,509	1	1,208,544	11,136,674	
<b>EXPENDITURES</b>							
Current							
Instruction	4,283,190	-	-	-	-	4,283,190	
Supporting services	3,142,546	-	-	-	-	3,142,546	
Food service activities	-	-	-	-	877,118	877,118	
Student/school activities	-	-	-	-	29,609	29,609	
Community service activities	10,120	-	-	-	-	10,120	
Capital outlay	-	-	-	4,271	-	4,271	

See notes to financial statements.

	<u>Debt service</u>			<u>Capital projects</u>		<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>2010 Building and Site Bonds Series A (QCSB)</u>	<u>2019 Refunding</u>	<u>2015 School Improvement and Bus Fund</u>			
<b>EXPENDITURES (continued)</b>							
Debt service							
Principal repayment	\$ -	\$ -	\$ -	\$ -	\$ 945,000	\$ 945,000	\$ 945,000
Interest	-	731,585	120,936	-	330,925	1,183,446	1,183,446
Bond issuance costs	-	-	300	-	-	300	300
Other	-	4,409	41	-	1,369	5,819	5,819
Total expenditures	7,435,856	735,994	121,277	4,271	2,184,021	10,481,419	10,481,419
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	999,636	698,134	(62,768)	(4,270)	(975,477)	655,255	655,255
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from school loan revolving fund	-	-	70,203	-	1,332,437	1,402,640	1,402,640
Transfers in	5,500	-	-	-	-	5,500	5,500
Transfers out	-	-	-	-	(5,500)	(5,500)	(5,500)
Total other financing sources (uses)	5,500	-	70,203	-	1,326,937	1,402,640	1,402,640
<b>NET CHANGE IN FUND BALANCES</b>	1,005,136	698,134	7,435	(4,270)	351,460	2,057,895	2,057,895
<b>FUND BALANCES</b>							
Beginning of year	1,504,146	5,389,287	-	4,270	1,218,857	8,116,560	8,116,560
End of year	\$ 2,509,282	\$ 6,087,421	\$ 7,435	\$ -	\$ 1,570,317	\$ 10,174,455	\$ 10,174,455

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, 2021**

<b>Net change in fund balances total governmental funds</b>	<b>\$ 2,057,895</b>
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:	
Depreciation expense	(1,114,842)
Capital outlay	152,391
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of year	(21,287)
Unavailable revenue, end of year	-
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	101,039
Accrued interest payable, end of the year	(149,793)
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:	
Proceeds from school loan revolving fund	(1,402,640)
Payments on bonded debt	945,000
Amortization of bond discounts	(5,090)
Amortization of bond premiums	74,429
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	349,115
Accrued compensated absences, end of the year	(351,635)
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	(464,061)
Other postemployment benefits related items	378,784
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	(66,510)
<b>Change in net position of governmental activities</b>	<b>\$ 482,795</b>

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.

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation - Fund Financial Statements (continued)

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 *2019 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.

The *2015 School Improvement and Bus capital projects fund* accounts for the revenue and expenditures that are related to the net proceeds from the general obligation bonds used to acquire, install and equip instructional technology, partially remodel the school building for roofing replacement; and purchase school buses for Decatur Public Schools.

The capital projects funds include capital projects activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

The District issued \$2,620,000 of bonds on August 4, 2015, at which time all funds were available for the intended purpose of the bond issue. Beginning with the year of bond issuance, the District has reported annual construction activity in the 2015 capital projects fund. The projects for which the 2015 bonds were issued were considered complete as of June 30, 2018. The cumulative revenues and expenditures recognized for the bond period are as follows:

	<u>Capital Projects</u>
Revenue and other financing sources	<u>\$ 2,719,796</u>
Expenditures and other financing uses	<u>\$ 2,719,796</u>

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.

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation - Fund Financial Statements (continued)

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. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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 (within 60 days of year-end).

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting (continued)

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.

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, 2021. The District does not consider the amendments to be significant. Violations, if any, are noted in the required supplementary information section.

**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

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.

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.

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 is not depreciated. The other property, plant, and equipment 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

**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.

**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)

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.

In the computation of net invested in capital assets, school bond revolving fund principal proceeds of \$2,517,720 are considered capital-related debt. Accrued interest on the school loan revolving fund of \$54,607 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, 2021 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, 2021.

**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)

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.

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 Revenues and Expenditures/Expenses (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 and become a lien on the first day of the levy year. 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, 2021, 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.

**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 Revenues and Expenditures/Expenses (continued)

Long-Term Obligations

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.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2021 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, 2021, \$3,469,849 of the District’s bank balance of \$3,812,680 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificates of deposits, in the amount of \$205,707, are included in the above totals. The carrying value on the books for deposits at the end of the year was \$3,728,727.

**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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>
U.S. Treasury Strip	\$ 6,459,138	5.6329
Federated Treasury Obligation Fund	<u>894</u>	0.0027
Total fair value	<u>\$ 6,460,032</u>	
Portfolio weighted average maturity		<u>6.6328</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	\$ 6,459,138	AA+	Standard & Poor's
Federated Treasury Obligation Fund	<u>894</u>	AA+	Standard & Poor's
Total fair value	<u><u>\$ 6,460,032</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	\$ 6,459,138
Federated treasury obligations	<u>894</u>
Total	<u><u>\$ 6,460,032</u></u>

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.

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

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, 2021:

	Primary Government
Cash and cash equivalents	\$ 3,728,727
Restricted investments - debt service	6,460,032
	\$ 10,188,759

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2021 consist of the following:

	Government- wide
State aid	\$ 1,151,143
Federal	
Federal awards	357,904
QSCB credit	596,235
Van Buren ISD	28,836
	\$ 2,134,118

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.

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Assets not being depreciated				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Other capital assets				
Building and additions	21,764,421	-	-	21,764,421
Equipment and furniture	2,643,666	117,060	52,701	2,708,025
Site improvements	2,095,319	-	-	2,095,319
Transportation equipment	1,095,389	35,331	362,885	767,835
Subtotal	27,598,795	152,391	415,586	27,335,600
Accumulated depreciation				
Building and additions	9,717,916	748,701	-	10,466,617
Equipment and furniture	2,091,316	166,710	52,701	2,205,325
Site improvements	1,210,616	139,689	-	1,350,305
Transportation equipment	1,007,229	59,742	362,885	704,086
Total accumulated depreciation	14,027,077	1,114,842	415,586	14,726,333
Net capital assets being depreciated	13,571,718	(962,451)	-	12,609,267
Net governmental capital assets	\$ 13,671,718	\$ (962,451)	\$ -	\$ 12,709,267

Depreciation for the fiscal year ended June 30, 2021 amounted to \$1,114,842. The District determined that it was impractical to allocate depreciation 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, 2021, the District has issued state aid anticipation note payable outstanding in the amount of \$1,500,000. 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. All of the notes are through the State of Michigan and have the following interest rates and maturities:

<u>Note</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
2020A-2	\$ 1,500,000	0.25%	August 20, 2021

The State Aid note is secured by the full faith and credit of the District as well as pledged state aid. Note 2020A-2 required no payments to be made as of June 30, 2021. The current year changes are as follows:

<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2021</u>
<u>\$ 1,200,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,500,000</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>Notes From Direct Borrowings and Direct Placements</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance July 1, 2020	\$ 25,801,587	\$ 1,115,080	\$ 349,115	\$ 27,265,782
Additions	-	1,402,640	2,520	1,405,160
Deletions	(1,014,339)	-	-	(1,014,339)
Balance June 30, 2021	24,787,248	2,517,720	351,635	27,656,603
Due within one year	(965,000)	-	(127,484)	(1,092,484)
Due in more than one year	<u>\$ 23,822,248</u>	<u>\$ 2,517,720</u>	<u>\$ 224,151</u>	<u>\$ 26,564,119</u>

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

Long-term obligation debt at June 30, 2021 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%.	1,220,000
2015 Refunding bonds due in annual installments of \$660,000 to \$875,000 through May 1, 2029 with interest from 3.00% to 4.55%.	6,115,000
2010 Qualified school construction bonds due in annual sinking payments to a set aside account of \$829,225 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	(27,400)
Plus issuance premium	<u>564,648</u>
Total general obligation bonds	24,787,248

**Notes from Direct Borrowings and Direct Placements:**

Borrowings from the State of Michigan under the School Loan Revolving Fund Program, excluding interest at 3.00% at June 30, 2021.	<u>2,517,720</u>
Total general obligation bonds and notes from direct borrowings and direct placements	27,304,968
Compensated absences	<u>351,635</u>
Total general long-term obligations	<u><u>\$ 27,656,603</u></u>

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

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 3.00% has been assessed for the year ended June 30, 2021. 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, 2021 was approximately \$1,184,000, of which the District received \$596,235 in federal tax credits.

In prior years, the District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2021, \$12,069,500 of bonds outstanding are considered defeased.

The annual requirements to amortize long-term debt outstanding as of June 30, 2021, including interest are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2022	\$ 965,000	\$ 1,158,636	\$ -	\$ -	\$ -	\$ 2,123,636
2023	990,000	1,132,736	-	-	-	2,122,736
2024	1,015,000	1,099,236	-	-	-	2,114,236
2025	1,050,000	1,056,110	-	-	-	2,106,110
2026	780,000	1,009,710	-	-	-	1,789,710
2027 - 2031	18,950,000	1,456,488	-	-	-	20,406,488
2032 - 2036	500,000	70,950	-	-	-	570,950
	24,250,000	6,983,866	-	-	-	31,233,866
Issuance discounts	(27,400)	-	-	-	-	(27,400)
Issuance premium	564,648	-	-	-	-	564,648
School loan revolving fund	-	-	2,517,720	54,607	-	2,572,327
Compensated absences	-	-	-	-	351,635	351,635
	<u>\$ 24,787,248</u>	<u>\$ 6,983,866</u>	<u>\$ 2,517,720</u>	<u>\$ 54,607</u>	<u>\$ 351,635</u>	<u>\$ 34,695,076</u>

The District anticipates receiving \$3,525,102 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 (MPSERS) (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www.michigan.gov/orsschools](http://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 MPSERS 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.

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Benefits Provided - Pension (continued)

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%.

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

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2012 (continued)

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.

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.

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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.

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.

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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 60<sup>th</sup> 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.

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, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 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, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$1,082,000. Of the total pension contributions approximately \$997,000 was contributed to fund the Defined Benefit Plan and approximately \$85,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately \$323,000. Of the total OPEB contributions approximately \$240,000 was contributed to fund the Defined Benefit Plan and approximately \$83,000 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).

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 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>MPSERS (Plan) Non-university Employers :</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total pension liability	\$ 85,290,583,799	\$ 83,442,507,212
Plan fiduciary net position	\$ 50,939,496,006	\$ 50,325,869,388
Net pension liability	\$ 34,351,087,793	\$ 33,116,637,824
Proportionate share	0.03800%	0.03923%
Net pension liability for the District	\$ 13,053,836	\$ 12,990,822

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

For the year ended June 30, 2021, the District recognized pension expense of \$1,460,710.

At June 30, 2021, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,446,491	\$ -
Net difference between projected and actual plan investment earnings	54,846	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(857,530)
Differences between expected and actual experience	199,452	(27,861)
Reporting Unit's contributions subsequent to the measurement date	946,176	-
	\$ 2,646,965	\$ (885,391)

\$946,176, 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.

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

Year Ending September 30	Amount
2021	\$ 386,345
2022	245,816
2023	132,446
2024	50,791

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

*OPEB Liabilities*

The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 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, 2020</u>	<u>September 30, 2019</u>
Total other postemployment benefits liability	\$ 13,206,903,534	\$ 13,925,860,688
Plan fiduciary net position	\$ 7,849,636,555	\$ 6,748,112,668
Net other postemployment benefits liability	\$ 5,357,266,979	\$ 7,177,748,020
Proportionate share	0.03777%	0.03860%
Net other postemployment benefits liability for the District	\$ 2,023,613	\$ 2,770,686

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

For the year ended June 30, 2021, the District recognized OPEB benefit of \$139,064.

At June 30, 2021, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 667,225	\$ -
Net difference between projected and actual plan investment earnings	16,889	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,689	(321,947)
Differences between expected and actual experience	-	(1,507,781)
Reporting Unit's contributions subsequent to the measurement date	217,768	-
	<u>\$ 905,571</u>	<u>\$ (1,829,728)</u>

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

\$217,768, 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
2021	\$ (323,677)
2022	(300,235)
2023	(239,583)
2024	(161,901)
2025	(116,529)

Actuarial Assumptions

**Investment Rate of Return for Pension** - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

**Investment Rate of Return for OPEB** - 6.95% 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 morality 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.

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**Experience Study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. 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 Comprehensive Annual Financial Report.

**The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments** - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, 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** - 7.0% for year one and graded to 3.5% in year fifteen.

**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.

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

The target asset allocation at September 30, 2020 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%	5.6%
International Equity Pools	15.0%	7.4%
Private Equity Pools	16.0%	9.3%
Real Estate and Infrastructure Pools	10.0%	4.9%
Fixed Income Pools	10.5%	0.5%
Absolute Return Pools	9.0%	3.2%
Real Return/Opportunistic Pool	12.5%	6.6%
Short Term Investment Pools	2.0%	-0.1%
	<u>100.0%</u>	

\* Long term rate of return are net of administrative expenses and 2.1% inflation.

**Rate of Return** - For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% 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 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). 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.

**OPEB Discount Rate** - A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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.

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**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 6.80% (6.00% for the Pension Plus 2 Plan), 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		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 16,895,976	\$ 13,053,836	\$ 9,869,558

**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 6.95%, 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		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 2,599,561	\$ 2,023,613	\$ 1,538,713

**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 of 7.0% (decreasing to 3.5%), 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	\$ 1,520,147	\$ 2,023,613	\$ 2,596,243

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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 2020 Comprehensive Annual 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.

**NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund payable and receivable balances at June 30, 2021 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 213,713	Major debt service	\$ 1,026,614
Nonmajor debt service	818,401	Food service	5,500
	\$ 1,032,114		\$ 1,032,114

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.

The food service fund transferred \$5,500 to the general fund for reimbursement of indirect costs.

**DECATUR PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - SUBSEQUENT EVENTS**

The District has approved borrowing \$700,000 for fiscal year 2022 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 2021 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.

**NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. 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. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECATUR PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Local sources	\$ 898,961	\$ 1,093,336	\$ 1,123,725	\$ 30,389
State sources	5,596,092	6,170,471	6,232,134	61,663
Federal sources	434,493	754,714	844,972	90,258
Intermediate school districts	198,959	203,125	234,661	31,536
Total revenues	<u>7,128,505</u>	<u>8,221,646</u>	<u>8,435,492</u>	<u>213,846</u>
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic programs	3,339,497	3,269,360	3,197,949	71,411
Added needs	1,126,656	946,861	1,085,241	(138,380)
Total instruction	<u>4,466,153</u>	<u>4,216,221</u>	<u>4,283,190</u>	<u>(66,969)</u>
Supporting services				
Pupil	133,367	146,327	140,949	5,378
Instructional staff	95,423	115,364	118,296	(2,932)
General administration	242,290	276,507	270,659	5,848
School administration	419,276	424,449	450,372	(25,923)
Business	443,746	481,397	424,580	56,817
Operation/maintenance	749,755	798,203	746,135	52,068
Pupil transportation	326,381	354,430	304,452	49,978
Central	211,060	461,540	423,742	37,798
Athletics	253,247	268,268	263,361	4,907
Total supporting services	<u>2,874,545</u>	<u>3,326,485</u>	<u>3,142,546</u>	<u>183,939</u>
Community services	<u>9,500</u>	<u>11,000</u>	<u>10,120</u>	<u>880</u>
Total expenditures	<u>7,350,198</u>	<u>7,553,706</u>	<u>7,435,856</u>	<u>117,850</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(221,693)</u>	<u>667,940</u>	<u>999,636</u>	<u>331,696</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	21,461	16,486	5,500	(10,986)
Transfers out	(496)	(496)	-	496
Total other financing sources (uses)	<u>20,965</u>	<u>15,990</u>	<u>5,500</u>	<u>(10,490)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (200,728)</u>	<u>\$ 683,930</u>	<u>1,005,136</u>	<u>\$ 321,206</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>1,504,146</u>	
End of year			<u>\$ 2,509,282</u>	

**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 10 FISCAL YEARS (DETERMINED AS OF  
PLAN YEAR ENDED SEPTEMBER 30)**

	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.03800%	0.03923%	0.04184%	0.04409%	0.04519%	0.04585%	0.04639%
Reporting Unit's proportionate share of net pension liability	\$ 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	\$ 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 liability as a percentage of its covered-employee payroll	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)	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 10 years. However, until a full 10-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 10 FISCAL YEARS (DETERMINED AS OF  
YEAR ENDED JUNE 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 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>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>
Reporting Unit's covered-employee payroll (Pension)	\$ 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	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 10 years. However, until a full 10-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 10 FISCAL YEARS (DETERMINED AS OF  
PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.03777%	0.03860%	0.04040%	0.04411%
Reporting Unit's proportionate share of net other post employment benefits liability	\$ 2,023,613	\$ 2,770,686	\$ 3,211,514	\$ 3,906,077
Reporting Unit's covered-employee payroll	\$ 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	61.96%	82.89%	93.40%	106.72%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	59.44%	48.48%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 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 10 FISCAL YEARS (DETERMINED AS OF  
YEAR ENDED JUNE 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required other postemployment benefits contributions	\$ 239,719	\$ 286,940	\$ 279,476	\$ 299,198
Other postemployment benefits contributions in relation to statutorily required contributions	<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>
Reporting Unit's covered-employee payroll (OPEB)	\$ 3,275,657	\$ 3,296,327	\$ 3,386,968	\$ 3,444,726
Other postemployment benefits contributions as a percentage of covered-employee payroll	7.32%	8.70%	8.25%	8.69%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**DECATUR PUBLIC SCHOOLS  
SCHEDULE OF NET PENSION LIABILITY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021**

**NOTE 1 - PENSION INFORMATION**

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions – there were no changes of assumptions in 2020.

**NOTE 2 - OPEB INFORMATION**

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions - the assumption changes for 2020 were:

Healthcare cost trend rate decreased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50% Year 1 graded to 3.50% Year 12.

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**DECATUR PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2021**

	Special Revenue		Debt Service		Total Nonmajor Funds
	Food Service	Student/ School Activities	2010 Building and Site Bonds Series B	2015 Refunding Bonds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 240,459	\$ 356,826	\$ 2,253	\$ 96,440	\$ 695,978
Receivables					
Intergovernmental	29,216	-	-	-	29,216
Due from other funds	-	-	28,039	790,362	818,401
Inventories	20,970	-	-	-	20,970
Prepays	40,000	-	-	-	40,000
<b>TOTAL ASSETS</b>	<b>\$ 330,645</b>	<b>\$ 356,826</b>	<b>\$ 30,292</b>	<b>\$ 886,802</b>	<b>\$ 1,604,565</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 25,691	\$ -	\$ -	\$ -	\$ 25,691
Due to other funds	5,500	-	-	-	5,500
Unearned revenue	3,057	-	-	-	3,057
<b>TOTAL LIABILITIES</b>	<b>34,248</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,248</b>
<b>FUND BALANCES</b>					
Nonspendable					
Inventories	20,970	-	-	-	20,970
Prepays	40,000	-	-	-	40,000
Restricted for debt service	-	-	30,292	886,802	917,094
Restricted for food service	235,427	-	-	-	235,427
Committed for student/school activities	-	356,826	-	-	356,826
<b>TOTAL FUND BALANCES</b>	<b>296,397</b>	<b>356,826</b>	<b>30,292</b>	<b>886,802</b>	<b>1,570,317</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 330,645</b>	<b>\$ 356,826</b>	<b>\$ 30,292</b>	<b>\$ 886,802</b>	<b>\$ 1,604,565</b>

**DECATUR PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2021**

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Total Nonmajor Funds</u>
	<u>Food Service</u>	<u>Student/ School Activities</u>	<u>2010 Building and Site Bonds Series B</u>	<u>2015 Refunding Bonds</u>	
<b>REVENUES</b>					
Local sources					
Property taxes	\$ -	\$ -	\$ 16,886	\$ 265,681	\$ 282,567
Food sales	3,861	-	-	-	3,861
Investment earnings	391	1,076	-	-	1,467
Other	7,050	-	-	-	7,050
Student/school activity income	-	20,280	-	-	20,280
State sources	20,691	-	-	-	20,691
Federal sources	872,628	-	-	-	872,628
	<u>904,621</u>	<u>21,356</u>	<u>16,886</u>	<u>265,681</u>	<u>1,208,544</u>
<b>EXPENDITURES</b>					
Current					
Food service activities					
Purchased services	247,093	-	-	-	247,093
Supplies and materials	449,140	-	-	-	449,140
Capital outlay	168,935	-	-	-	168,935
Other expenses	11,950	-	-	-	11,950
Student/school activities	-	29,609	-	-	29,609
Debt service					
Principal repayment	-	-	-	945,000	945,000
Interest	-	-	32,850	298,075	330,925
Other expenses	-	-	790	579	1,369
	<u>877,118</u>	<u>29,609</u>	<u>33,640</u>	<u>1,243,654</u>	<u>2,184,021</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>27,503</u>	<u>(8,253)</u>	<u>(16,754)</u>	<u>(977,973)</u>	<u>(975,477)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from school loan revolving fund	-	-	18,100	1,314,337	1,332,437
Transfers out	(5,500)	-	-	-	(5,500)
	<u>(5,500)</u>	<u>-</u>	<u>18,100</u>	<u>1,314,337</u>	<u>1,326,937</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>22,003</u>	<u>(8,253)</u>	<u>1,346</u>	<u>336,364</u>	<u>351,460</u>
<b>FUND BALANCES</b>					
Beginning of year	<u>274,394</u>	<u>365,079</u>	<u>28,946</u>	<u>550,438</u>	<u>1,218,857</u>
End of year	<u>\$ 296,397</u>	<u>\$ 356,826</u>	<u>\$ 30,292</u>	<u>\$ 886,802</u>	<u>\$ 1,570,317</u>

**DECATUR PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2021**

\$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	2022	\$ 120,936
-	60,468	60,468	2023	120,936
-	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>\$ 495,272</u>	<u>\$ 495,272</u>		<u>\$ 5,855,544</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, 2021**

\$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	\$ 14,488	\$ 14,488	2022	\$ 333,976
305,000	11,438	11,438	2023	327,876
305,000	8,388	8,388	2024	321,776
305,000	4,575	4,575	2025	314,150
<u>\$ 1,220,000</u>	<u>\$ 38,889</u>	<u>\$ 38,889</u>		<u>\$ 1,297,778</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.

**DECATUR PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2021**

\$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
\$ 660,000	\$ 121,900	\$ 121,900	2022	\$ 903,800
685,000	112,000	112,000	2023	909,000
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>\$ 6,115,000</u>	<u>\$ 564,150</u>	<u>\$ 564,150</u>		<u>\$ 7,243,300</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 4.55%.

**DECATUR PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2021**

\$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)	2022	\$ 144,557
-	366,037	366,037	(587,517)	2023	144,557
-	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>\$ 2,196,222</u>	<u>\$ 2,196,222</u>	<u>\$ (3,525,102)</u>		<u>\$ 12,217,342</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, 2021**

\$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	2022	\$ 32,850
-	16,425	16,425	2023	32,850
-	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>\$ 197,400</u>	<u>\$ 197,400</u>		<u>\$ 1,094,800</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 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.

**DECATUR PUBLIC SCHOOLS  
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN  
SCHOOL LOAN REVOLVING PROGRAM  
JUNE 30, 2021**

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
Total June 30, 2021	<u>\$ 2,517,720</u>	<u>\$ 54,607</u>	<u>\$ 2,572,327</u>

**DECATUR PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2021
<b>U.S. Department of Agriculture</b>									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash assistance (donated foods)									
Entitlement Donated Foods	10.555	N/A	\$ 32,068	\$ -	\$ -	\$ -	\$ 32,068	\$ 32,068	\$ -
Cash Assistance									
COVID-19 - National School Lunch Program	10.555	200902	471,259	18,936	471,259	-	-	18,936	-
Total CFDA #10.555			503,327	18,936	471,259	-	32,068	51,004	-
COVID-19 - Summer Food Service Program for Children	10.559	210904	470,507	-	-	-	470,507	445,399	25,108
COVID-19 - Summer Food Service Program for Children		200900	175,370	-	-	-	175,370	175,370	-
Total CFDA #10.559			645,877	-	-	-	645,877	620,769	25,108
Child Nutrition Discretionary Grants	10.579	EAG2020	4,866	4,622	4,622	-	-	4,622	-
Total CFDA #10.579			4,866	4,622	4,622	-	-	4,622	-
Total cash assistance			1,122,002	23,558	475,881	-	645,877	644,327	25,108
Total Child Nutrition Cluster			1,154,070	23,558	475,881	-	677,945	676,395	25,108
COVID-19 - Child and Adult Care Food Program	10.558	211920	183,536	-	-	-	183,536	183,536	-
Child and Adult Care Food Program		212010	11,147	-	-	-	11,147	10,024	1,123
Total CFDA #10.558			194,683	-	-	-	194,683	193,560	1,123
Total U.S. Department of Agriculture			1,348,753	23,558	475,881	-	872,628	869,955	26,231

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, 2021**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2021
<u>U.S. Department of Education</u>									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	211530-2021	\$ 213,056	\$ -	\$ -	\$ -	\$ 213,056	\$ 158,000	\$ 55,056
Title I Grants to Local Educational Agencies		201530-1920	201,509	164,782	164,782	-	18,675	183,457	-
Total CFDA #84.010			414,565	164,782	164,782	-	231,731	341,457	55,056
Rural & Low Income School Program	84.358	210660-2021	14,593	-	-	-	13,328	9,930	3,398
Rural & Low Income School Program		200660-1920	15,738	13,737	13,737	-	1,271	15,008	-
Total CFDA #84.358			30,331	13,737	13,737	-	14,599	24,938	3,398
English Language Acquisition State Grants	84.365	210570-2021	1,348	-	-	-	1,348	-	1,348
English Language Acquisition State Grants		200570-1920	1,113	752	752	-	-	752	-
Total CFDA #84.365			2,461	752	752	-	1,348	752	1,348
Supporting Effective Instruction State Grants	84.367	210520-2021	47,804	-	-	-	39,680	29,000	10,680
Supporting Effective Instruction State Grants		200520-1920	35,200	27,433	27,433	-	2,540	29,973	-
Supporting Effective Instruction State Grants		190520-1819	51,190	(6,530)	-	-	-	(6,530)	-
Total CFDA #84.367			134,194	20,903	27,433	-	42,220	52,443	10,680
Student Support and Academic Enrichment	84.424	210750-2021	14,739	-	-	-	14,445	14,445	-
Student Support and Academic Enrichment		200750-1920	14,907	13,899	13,899	-	298	14,197	-
Total CFDA #84.424			29,646	13,899	13,899	-	14,743	28,642	-
Education Stabilization Fund									
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	201200-2021	63,144	-	-	-	52,278	720	51,558
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	203710-1920	157,447	-	-	-	157,447	-	157,447
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213712-2021	294,278	-	-	-	21,900	-	21,900
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER Education Equity)	84.425D	203720-1920	31,489	-	-	-	30,286	-	30,286
Total CFDA #84.425 and Education Stabilization Fund			546,358	-	-	-	261,911	720	261,191
Total U.S. Department of Education			1,157,555	214,073	220,603	-	566,552	448,952	331,673

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, 2021**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2021
<b><u>U.S. Department of Health and Human Services</u></b>									
Passed through Van Buren Intermediate School District									
Medicaid Cluster									
Medical Assistance Program	93.778	N/A	\$ 201	\$ -	\$ -	\$ -	\$ 201	\$ 201	\$ -
Total U.S. Department of Health and Human Services			201	-	-	-	201	201	-
<b><u>U.S. Department of Treasury</u></b>									
Passed through Michigan Department of Education									
COVID-19 Coronavirus Relief Funds	21.019	11(p)	262,892	-	-	-	262,892	262,892	-
COVID-19 Coronavirus Relief Funds		103(2)	9,254	-	-	-	9,254	9,254	-
Total Passed through Michigan Department of Education			272,146	-	-	-	272,146	272,146	-
Passed through MAISA/Copper County ISD									
COVID-19 Coronavirus Relief Funds - MiConnect Connectivity Funding	21.019	N/A	6,073	-	-	-	6,073	6,073	-
Total CFDA #21.019			278,219	-	-	-	278,219	278,219	-
Total U.S. Department of Treasury			278,219	-	-	-	278,219	278,219	-
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 2,784,728</b>	<b>\$ 237,631</b>	<b>\$ 696,484</b>	<b>\$ -</b>	<b>\$ 1,717,600</b>	<b>\$ 1,597,327</b>	<b>\$ 357,904</b>

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, 2021**

**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, 2021. 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 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, 2021:

General fund	\$ 844,972
Major debt service	596,235
Other nonmajor governmental funds	<u>872,628</u>
	2,313,835
Federal tax credits	<u>(596,235)</u>
Federal program expenditures subject to the Uniform Guidance	<u><u>\$ 1,717,600</u></u>

**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, 2021, 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 August 23, 2021.

**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 may exist that have not been identified.

## **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.

August 23, 2021

**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

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

We have audited Decatur Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Decatur Public Schools' of federal programs for the year ended June 30, 2021. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Decatur Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Decatur Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Decatur Public Schools' compliance.

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

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, 2021.

## **Report on Internal Control Over Compliance**

Management of Decatur Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Decatur Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Decatur Public Schools' 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned cost as item 2021-001, that we consider to be a significant deficiency.

Decatur Public Schools' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Decatur Public Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

August 23, 2021

**DECATUR PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**Section I - Summary of Auditor's Results**

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**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)?   X      Yes    \_\_\_\_\_    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)?

  X      Yes    \_\_\_\_\_    No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program
10.579, 10.555, and 10.559	Child Nutrition Cluster

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

  \$ 750,000  

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      X      No

**Section II - Financial Statement Findings**

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None

**DECATUR PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**Section III - Federal Award Findings and Question Costs**

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

**Federal Program:** Child Nutrition Cluster  
**CFDA #:** 10.579, 10.555 and 10.559  
**Federal Agency:** U.S. Department of Agriculture  
**Pass-through entity:** Michigan Department of Education  
**Pass-through number:** 200902, 210904, 200900

**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 2021-2022 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 reimbursements program, as well as experiencing delays on delivery of food service equipment, which is causing a larger than normal increase in the food service fund balance.

**Effect:** At June 30, 2021, 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 2021-2022 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.

**DECATUR PUBLIC SCHOOLS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Finding 2020-001: Significant Deficiency (repeat finding of 2019-001)**

**Federal Program:** Title II, Part A – CFDA #84.367

**Criteria:** The District is only allowed to draw federal funds up to the amount expended. The District is not allowed to draw funds in advance.

**Condition:** The District overdrew the allowable amount for Title II.

**Cause:** The District had an overdraw for the same amount on the 17-18 grant year in the prior year. When the District paid back the funds in the current year, it was applied against the 2018-19 grant year instead of the 17-18 grant year. This caused the District to overdraw on the 2018-19 grant by that amount.

**Effect:** At June 30, 2020, the District overdrew Title II by \$6,530. The District will be required to repay the amount back to the State of Michigan for the overdraw.

**Recommendation:** The District should implement a review process involving federal grant reporting. When the District pays back the funds for the overdraw, the District will want to ensure the Michigan Department of Education applies it to the correct grant year.

**District's Response:** The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

**Status:** As of the fiscal year ended June 30, 2021, this finding has been resolved.

**DECATUR PUBLIC SCHOOLS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Finding 2020-002: Significant Deficiency**

**Federal Program:** Child Nutrition Cluster  
**CFDA #:** 10.553, 10.555 and 10.559  
**Federal Agency:** U.S. Department of Agriculture  
**Pass-through entity:** Michigan Department of Education  
**Pass-through number:** 191960, 201960, 200902, 191970, 21970, 10900, 191900

**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 2020-2021 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 Community Eligibility Provision beginning in the 2020 fiscal year, as well as the unanticipated closure meal reimbursements from March through June causing a larger than normal increase in the food service fund balance.

**Effect:** At June 30, 2020, 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 2020-2021 school year that will adequately reduce the food service fund balance.

**District Response:** The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

**Status:** See current year finding 2021-001.

**DECATUR PUBLIC SCHOOLS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2021**

Decatur Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2021.

**Auditor:** Maner Costerisan  
2425 E. Grand River Ave., Suite 1  
Lansing, Michigan 48912

**Audit Period:** Year ended June 30, 2021

**District contact person:** Abbie Feirick, Business Manager

The finding from the June 30, 2021 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

**Finding – Federal Award Findings and Question Costs**

**Finding 2021-001** Considered a significant deficiency

**Recommendation:** The District should implement a budget, as well as the required corrective action plan, for the 2021-2022 school year that will adequately reduce the food service fund balance.

**Action to be taken:** Management agrees with the finding and we are in the process of developing a plan to spend down the food service fund balance. Items being considered is improving outdated equipment and enhancing/expanding health food options.