DECATUR PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2022

Maner Costerisan

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Decatur Public Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Decatur Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Public Schools, as of June 30, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Decatur Public Schools' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Decatur Public Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022 on our consideration of Decatur Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Decatur Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Decatur Public Schools' internal control over financial reporting and compliance.

Maner Costerisan PC

October 27, 2022

DECATUR PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Decatur Public Schools (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

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

FINANCIAL HIGHLIGHTS

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

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

These two statements report the District's net position. In order to measure the District's financial health or financial position, we examine the difference between assets, deferred outflow of resources, liabilities and deferred inflow of resources, as reported in the statement of net position. Over time, increases or decreases in the District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results.

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

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

DECATUR PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $18,213,416 (*net deficit*). The primary reasons for this are that the District owes more money than the carrying value of assets and deferred outflows of resources in which the debt was issued and the District is required to recognize their share of the net unfunded pension liability and the net unfunded OPEB liability.

- The District's total net position improved by $1,441,139.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $10,386,936 an increase of $212,481 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 $2,703,565 or 29.9% 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.

Figure A-1
Organization of Decatur Public Schools' Annual Financial Report

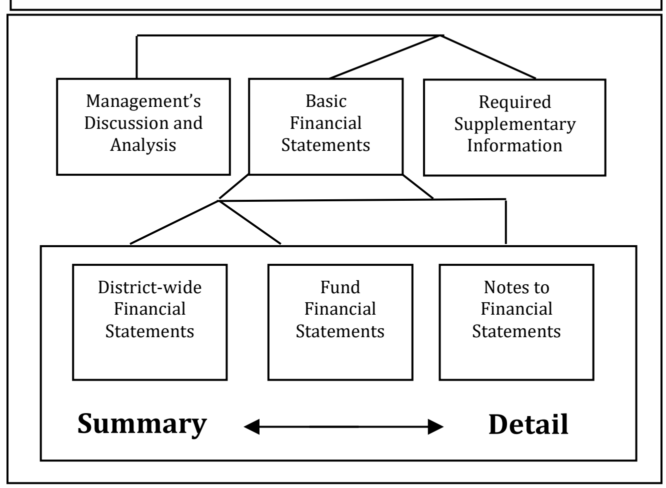

Figure A-2
Major Features of District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements: Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.
Required financial statements	* 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, 2022 and 2021.

Table A-3
Decatur Public Schools
Net Position

	2022	2021
Current and other assets	$ 11,459,032	$ 12,387,402
Capital assets	12,044,006	12,709,267
Total assets	23,503,038	25,096,669
Deferred outflows of resources	2,941,793	3,552,536
Long-term obligations	27,388,464	27,711,210
Other liabilities	1,162,966	2,308,133
Net pension liability	9,049,048	13,053,836
Net other postemployment benefits liability	587,096	2,023,613
Total liabilities	38,187,574	45,096,792
Deferred inflows of resources	6,470,673	3,206,968
Net position (deficit)		
Net investment in capital assets	(14,442,721)	(14,109,201)
Restricted for debt service	6,837,709	6,916,764
Restricted for food service	405,708	235,427
Unrestricted	(11,014,112)	(12,697,545)
Total net position (deficit)	$ (18,213,416)	$ (19,654,555)

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

	2022	2021
Revenues		
Program revenues		
Charges for services	$ 82,642	$ 76,157
Operating grants and contributions	2,948,903	2,745,739
General revenues		
Property taxes	2,387,009	2,372,994
Investment loss	(488,437)	(133,422)
State aid - unrestricted	6,103,864	5,753,404
Intermediate sources	207,325	234,661
Other	85,350	-
Total revenues	11,326,656	11,049,533
Expenses		
Instruction	4,147,921	4,343,559
Support services	2,729,692	2,948,422
Community services	20,442	10,120
Food services	655,410	877,118
Student activities	37,480	29,609
Interest on long-term debt	1,228,428	1,243,068
Unallocated depreciation	1,066,144	1,114,842
Total expenses	9,885,517	10,566,738
Change in net position	$ 1,441,139	$ 482,795

District Governmental Activities

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

- The State Foundation Allowance was $8,700 per student in 2022, an increase of $589 per student compared to $8,111 in 2021.

- Student growth in the District has leveled off compared to the prior year. Student count has fallen from 1,147 in 1999 to 734 for the year ended June 30, 2022, a decrease of 36%. Attracting and maintaining students has, and will be, a challenge for the District.

- The District's payments into Michigan Public School Employee's Retirement System (MPSERS) continue to increase.

- The District has implemented cost cutting activities to keep pace with falling student counts and increasing employee benefit costs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District as a whole has a combined fund balance of $10,386,936 compared to $10,174,455 the prior year. The fund balance increased by $212,481 during the year. The District continues to control primarily through tight budgetary controls. There are debt service funds with a combined net fund balance of $6,928,579 and special revenue funds with a combined net fund balance of $754,792. The general fund increased its fund balance by $194,283, 2010 Building and Site debt service fund decreased its fund balance by $152,452, 2015 Refunding debt service fund decreased its fund balance by $2,409, and other nonmajor governmental funds increased by $173,059 (food service, student/school activities, and nonmajor debt service funds).

General Fund and Budget Highlights

During the 2022 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 expenditures and transfers out exceeding revenues and transfers in by $114,051.

The final results showed that net revenues came in higher than anticipated, by $174,775, due to higher than anticipated state aid, federal funding and property tax collection. The expenditures came in less than anticipated by $62,904 due to tight budget controls at the end of the school year and final invoices being less than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets are as follows:

Table A-5
Decatur Public Schools Capital Assets

	2022			2021
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Land	$ 100,000	$ -	$ 100,000	$ 100,000
Buildings and additions	21,782,475	11,216,132	10,566,343	11,297,804
Equipment and furniture	2,936,419	2,294,141	642,278	502,700
Site improvements	2,124,430	1,491,610	632,820	745,014
Transportation equipment	767,835	746,193	21,642	63,749
Right to use - leased equipment	94,775	13,852	80,923	-
Total	$ 27,805,934	$ 15,761,928	$ 12,044,006	$ 12,709,267

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

Long-Term Obligations

At year end the District had $27,264,839 long-term obligations outstanding as shown in Table A-6. More detailed information is available in the notes of the financial statements.

Table A-6
Decatur Public Schools
Outstanding Long-Term Obligations

	2022	2021
General obligation bonds	$ 23,752,909	$ 24,787,248
Notes from direct borrowings and direct placements	3,220,318	2,517,720
Compensated absences	291,612	351,635
	$ 27,264,839	$ 27,656,603

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The 2022 – 2023 foundation allowance is anticipated to increase per student. The foundation allowance represents approximately 80% of total District revenue.
- The District is expecting additional costs to be incurred due to several new hires for the 2022 – 2023 school year.
- The District is expecting additional federal funding in 2023 with ESSER II and ESSER III.
- Retirement contributions made to the retirement system are anticipated to continue to increase.
- The District continues to find ways to cut costs in an environment where revenues are not keeping pace.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

DECATUR PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 2,218,865
Receivables	
Accounts receivable	10,860
Intergovernmental	2,439,197
Inventories	24,030
Prepaids	52,766
Restricted investments - debt service	6,713,314
Capital assets not being depreciated/amortized	100,000
Capital assets, net of accumulated depreciation/amortization	11,944,006
TOTAL ASSETS	23,503,038
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	2,083,280
Related to other postemployment benefits	858,513
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,941,793
LIABILITIES	
Accounts payable	163,739
Checks written in excess of deposits	49,276
Note payable	100,000
Accrued interest payable	90,971
Accrued salaries and related items	530,308
Accrued retirement	222,062
Unearned revenue	6,610
Noncurrent liabilities	
Due within one year	1,109,892
Due in more than one year	26,154,947
Due in more than one year - interest	123,625
Net pension liability	9,049,048
Net other postemployment benefits liability	587,096
TOTAL LIABILITIES	38,187,574
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	3,448,536
Related to other postemployment benefits	2,412,779
Related to state aid funding for pension	609,358
TOTAL DEFERRED INFLOWS OF RESOURCES	6,470,673
NET POSITION	
Net investment in capital assets	(14,442,721)
Restricted for debt service	6,837,709
Restricted for food service	405,708
Unrestricted	(11,014,112)
TOTAL NET POSITION	$ (18,213,416)

See notes to financial statements.

DECATUR PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Governmental Activities: Net (Expense) Revenue and Chantes in Net Position
Governmental activities				
Instruction	$ 4,147,921	$ -	$ 1,433,221	$ (2,714,700)
Support services	2,729,692	66,172	181,615	(2,481,905)
Community services	20,442	-	-	(20,442)
Food services	655,410	16,470	709,300	70,360
Student/school activities	37,480	-	29,678	(7,802)
Interest on long-term debt	1,228,428	-	595,089	(633,339)
Unallocated depreciation/amortization	1,066,144	-	-	(1,066,144)
Total governmental activities	$ 9,885,517	$ 82,642	$ 2,948,903	(6,853,972)
General revenues				
Property taxes, levied for general purposes				1,065,515
Property taxes, levied for debt service				1,321,494
Investment earnings (loss)				(488,437)
State sources				6,103,864
Intermediate sources				207,325
Other				85,350
Total general revenues				8,295,111
CHANGE IN NET POSITION				1,441,139
NET POSITION, beginning of year				(19,654,555)
NET POSITION, end of year				$ (18,213,416)

See notes to financial statements.

DECATUR PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Debt Service: 2010 Building and Site Bonds Series A (QSCB)	Debt Service: 2015 Refunding Bonds	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,308,868	$ -	$ 94,031	$ 815,966	$ 2,218,865
Receivables					
Accounts receivable	10,860	-	-	-	10,860
Intergovernmental	2,098,983	297,545	-	42,669	2,439,197
Due from other funds	213,713	-	790,362	28,039	1,032,114
Inventories	-	-	-	24,030	24,030
Prepaids	12,766	-	-	40,000	52,766
Restricted investments	-	6,713,314	-	-	6,713,314
TOTAL ASSETS	$ 3,645,190	$ 7,010,859	$ 884,393	$ 950,704	$ 12,491,146

See notes to financial statements.

	General Fund	Debt Service: 2010 Building and Site Bonds Series A (QSCB)	Debt Service: 2015 Refunding Bonds	Total Nonmajor Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Payables					
Accounts payable	$ 85,410	$ -	$ -	$ 78,329	$ 163,739
Due to other funds	-	1,026,614	-	5,500	1,032,114
Checks written in excess of deposits	-	49,276	-	-	49,276
Note payable	100,000	-	-	-	100,000
Accrued interest payable	101	-	-	-	101
Accrued salaries and related items	530,308	-	-	-	530,308
Accrued retirement	222,062	-	-	-	222,062
Unearned revenue	3,744	-	-	2,866	6,610
TOTAL LIABILITIES	941,625	1,075,890	-	86,695	2,104,210
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	24,030	24,030
Prepaids	12,766	-	-	40,000	52,766
Restricted for					
Debt service	-	5,934,969	884,393	109,217	6,928,579
Food service	-	-	-	341,678	341,678
Committed for student/school activities	-	-	-	349,084	349,084
Assigned for subsequent years expenditures	516,591	-	-	-	516,591
Unassigned	2,174,208	-	-	-	2,174,208
TOTAL FUND BALANCES	2,703,565	5,934,969	884,393	864,009	10,386,936
TOTAL LIABILITIES AND FUND BALANCES	$ 3,645,190	$ 7,010,859	$ 884,393	$ 950,704	$ 12,491,146

See notes to financial statements.

DECATUR PUBLIC SCHOOLS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total governmental fund balances		$ 10,386,936
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - related to pensions		2,083,280
Deferred inflows of resources - related to pensions		(3,448,536)
Deferred outflows of resources - related to other postemployment benefits		858,513
Deferred inflows of resources - related to other postemployment benefits		(2,412,779)
Deferred inflows of resources - related to state pension funding for pension		(609,358)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	$ 27,805,934	
Accumulated depreciation/amortization is	(15,761,928)	12,044,006
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable		(23,752,909)
Direct borrowing and direct placement		(3,220,318)
Compensated absences		(291,612)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(214,495)
Net pension liability		(9,049,048)
Net other postemployment benefits liability		(587,096)
Net position of governmental activities		$ (18,213,416)

See notes to financial statements.

DECATUR PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

		Debt Service			
	General Fund	2010 Building and Site Bonds Series A (QCSB)	2015 Refunding Bonds	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources					
Property taxes	$ 1,065,515	$ 480,338	$ 688,367	$ 152,789	$ 2,387,009
Food sales	-	-	-	16,196	16,196
Investment earnings (loss)	2,854	(491,394)	-	377	(488,163)
Student/school activities	-	-	-	29,678	29,678
Other	80,344	-	-	191	80,535
Total local sources (uses)	1,148,713	(11,056)	688,367	199,231	2,025,255
State sources	6,670,615	-	-	38,717	6,709,332
Federal sources	1,126,877	595,089	-	709,300	2,431,266
Intermediate school districts	207,325	-	-	-	207,325
TOTAL REVENUES	9,153,530	584,033	688,367	947,248	11,373,178
EXPENDITURES					
Current					
Instruction	5,354,048	-	-	-	5,354,048
Supporting services	3,569,157	-	-	-	3,569,157
Food service activities	-	-	-	655,410	655,410
Student/school activities	-	-	-	37,480	37,480
Community service activities	20,442	-	-	-	20,442
Capital outlay	94,775	-	-	-	94,775

See notes to financial statements.

	General Fund	Debt Service: 2010 Building and Site Bonds Series A (QCSB)	Debt Service: 2015 Refunding Bonds	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)					
Debt service					
Principal repayment	$ 13,852	$ -	$ 965,000	$ -	$ 978,852
Interest	1,748	732,075	272,775	153,786	1,160,384
Other	-	4,410	1,060	1,129	6,599
TOTAL EXPENDITURES	9,054,022	736,485	1,238,835	847,805	11,877,147
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	99,508	(152,452)	(550,468)	99,443	(503,969)
OTHER FINANCING SOURCES (USES)					
School loan revolving fund issuance	-	-	548,059	73,616	621,675
Proceeds from leases	94,775	-	-	-	94,775
TOTAL OTHER FINANCING SOURCES (USES)	94,775	-	548,059	73,616	716,450
NET CHANGE IN FUND BALANCES	194,283	(152,452)	(2,409)	173,059	212,481
FUND BALANCES					
Beginning of year	2,509,282	6,087,421	886,802	690,950	10,174,455
End of year	$ 2,703,565	$ 5,934,969	$ 884,393	$ 864,009	$ 10,386,936

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, 2022

Net change in fund balances total governmental funds	$ 212,481
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation/ amortization:	
Depreciation/amortization expense	(1,066,144)
Capital outlay	418,569
Loss on the disposal of capital assets	(17,686)
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	149,793
Accrued interest payable, end of the year	(214,495)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:	
School loan revolving fund issuance	(621,675)
Payments on bonded debt	965,000
Proceeds from lease	(94,775)
Payments on lease	13,852
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	351,635
Accrued compensated absences, end of the year	(291,612)
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	877,958
Other postemployment benefits related items	806,408
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	(117,509)
Change in net position of governmental activities	$ 1,441,139

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

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

> The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in the special revenue funds.
>
> The *Debt Service Funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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

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

Measurement Focus and Basis of Accounting

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

Budgetary Information

Budgetary Basis of Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

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

The budget was amended during the year with supplemental appropriations. The budget was approved prior to June 30, 2022. The District does not consider the amendments to be significant. Violations, if any, are noted in the required supplementary information section.

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

Cash and Cash Equivalents

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

Investments

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

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments (continued)

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Defined Benefit Plans

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

Deferred 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position Flow Assumption (continued)

In the computation of net invested in capital assets, school bond revolving fund principal proceeds of $3,139,395 are considered capital-related debt. Accrued interest on the school loan revolving fund of $123,625 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, 2022 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, 2022.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases

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

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

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

Program Revenues

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property Taxes

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

For the year ended June 30, 2022, the District levied the following amounts per $1,000 of assessed valuation:

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

Compensated Absences

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

Long-Term Obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2022 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, 2022, $1,936,327 of the District's bank balance of $2,302,981 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificates of deposits, in the amount of $195,707, are included in the above totals. The carrying value on the books for deposits at the end of the year was $2,169,589, which is net of checks written in excess of deposits of $49,276.

Custodial Credit Risk – Investments

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

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

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity (years)
U.S. Treasury Strip	$ 6,712,711	4.6329
Federated Treasury Obligation Fund	603	0.0027
Total fair value	$ 6,713,314	
Portfolio weighted average maturity		4.6325

1 day maturity equals 0.0027, one year equals 1.00

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.

Investment Type	Fair Value	Rating	Rating Agency
U.S. Treasury Strip	$ 6,712,711	AA+	Standard & Poor's
Federated Treasury Obligation Fund	603	AA+	Standard & Poor's
Total fair value	$ 6,713,314		

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.

Investments by Fair Value Level	Level 2
U.S. government securities Treasury STRIPS	$ 6,712,711
Federated treasury obligations	603
Total	$ 6,713,314

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (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, 2022:

	Primary Government
Cash and cash equivalents	$ 2,218,865
Restricted investments - debt service	6,713,314
	$ 8,932,179

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2022 consist of the following:

	Government-wide
State aid	$ 1,218,821
Federal	
Federal awards	913,453
QSCB credit	297,545
Van Buren ISD	9,378
	$ 2,439,197

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

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Assets not being depreciated/amortized				
Land	$ 100,000	$ -	$ -	$ 100,000
Capital assets being depreciated/amortized				
Building and additions	21,764,421	18,054	-	21,782,475
Equipment and furniture	2,708,025	276,629	48,235	2,936,419
Site improvements	2,095,319	29,111	-	2,124,430
Transportation equipment	767,835	-	-	767,835
Right to use - leased equipment	-	94,775	-	94,775
			-	
Subtotal	27,335,600	418,569	48,235	27,705,934
Accumulated depreciation/amortization				
Building and additions	10,466,617	749,515	-	11,216,132
Equipment and furniture	2,205,325	119,365	30,549	2,294,141
Site improvements	1,350,305	141,305	-	1,491,610
Transportation equipment	704,086	42,107	-	746,193
Right to use - leased equipment	-	13,852	-	13,852
Total accumulated depreciation/amortization	14,726,333	1,066,144	30,549	15,761,928
Net capital assets being depreciated/amortized	12,609,267	(647,575)	17,686	11,944,006
Net governmental capital assets	$ 12,709,267	$ (647,575)	$ 17,686	$ 12,044,006

Depreciation/amortization for the fiscal year ended June 30, 2022 amounted to $1,066,144. The District determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2022, the District has a state aid anticipation note payable outstanding in the amount of $100,000. Proceeds of the notes were used to fund school operations. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. At issuance, the note had an interest rate, initial balance, and maturity as follows:

Note	Amount	Interest Rate	Maturity Date
2021A-1	$ 700,000	0.11%	July 20, 2022

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

Balance June 30, 2021	Additions	Payments	Balance June 30, 2022
$ 1,500,000	$ 700,000	$ 2,100,000	$ 100,000

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:

	General Obligation Bonds	Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance July 1, 2021	$ 24,787,248	$ 2,517,720	$ 351,635	$ 27,656,603
Additions	-	716,450	-	716,450
Deletions	(1,034,339)	(13,852)	(60,023)	(1,108,214)
Balance June 30, 2022	23,752,909	3,220,318	291,612	27,264,839
Due within one year	(990,000)	(17,828)	(102,064)	(1,109,892)
Due in more than one year	$ 22,762,909	$ 3,202,490	$ 189,548	$ 26,154,947

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligation debt at June 30, 2022 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%.	915,000
2015 Refunding bonds due in annual installments of $685,000 to $875,000 through May 1, 2029 with interest from 3.00% to 5.00%.	5,455,000
2010 Qualified school construction bonds due in annual sinking payments to a set aside account of $873,077 through May 1, 2027 with a bond payment of $11,350,000 on May 1, 2027. The bonds carry an interest rate of 6.45% before interest tax credits.	11,350,000
2010 Serial bonds due in annual installments of $100,000 from May 1, 2030 through May 1, 2036 with interest from 4.65% to 4.75%.	700,000
Less issuance discounts	(22,310)
Plus issuance premium	490,219
Total general obligation bonds	23,752,909
Direct Borrowings and Direct Placements	
Borrowings from the State of Michigan under the School Loan Revolving Fund Program, excluding interest at 1.19% at June 30, 2022.	3,139,395
Copier lease due in quarterly installments of $5,200 through November 1, 2026, with an implied interest rate of 4.00%.	80,923
Total direct borrowings and direct placements	3,220,318
Compensated Absences	
Obligation under contract for compensated absences	291,612
Total general long-term obligations	$ 27,264,839

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $80,923 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

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 1.19% has been assessed for the year ended June 30, 2022. 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, 2022 was approximately $1,228,000, of which the District received $595,089 in federal tax credits.

The annual requirements to amortize long-term debt outstanding as of June 30, 2022, including interest are as follows:

	General Obligation Bonds		Direct Borrowings and Direct Placements			
Year Ending June 30,	Principal	Interest	Principal	Interest	Compensated Absences	Total
2023	$ 990,000	$ 1,132,736	$ 17,828	$ 2,972	$ -	$ 2,143,536
2024	1,015,000	1,099,236	18,552	2,248	-	2,135,036
2025	1,050,000	1,056,110	19,305	1,495	-	2,126,910
2026	780,000	1,009,710	20,089	711	-	1,810,510
2027	12,165,000	978,510	5,149	50	-	13,148,709
2028 - 2032	6,885,000	501,528	-	-	-	7,386,528
2033 - 2036	400,000	47,400	-	-	-	447,400
	23,285,000	5,825,230	80,923	7,476	-	29,198,629
Issuance discounts	(22,310)	-	-	-	-	(22,310)
Issuance premium	490,219	-	-	-	-	490,219
School loan revolving fund	-	-	3,139,395	123,625	-	3,263,020
Compensated absences	-	-	-	-	291,612	291,612
	$ 23,752,909	$ 5,825,230	$ 3,220,318	$ 131,101	$ 291,612	$ 33,221,170

The District anticipates receiving $2,937,585 in federal tax credit payments to offset interest payments on the Qualified School Construction Bonds.

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 Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018 are amortized over an 18-year period beginning October 1, 2020 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, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately $1,442,000. Of the total pension contributions approximately $1,399,000 was contributed to fund the Defined Benefit Plan and approximately $43,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately $381,000. Of the total OPEB contributions approximately $351,000 was contributed to fund the Defined Benefit Plan and approximately $30,000 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).

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 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.

MPSERS (Plan) Non-university Employers	September 30, 2021	September 30, 2020
Total pension liability	$ 86,392,473,395	$ 85,290,583,799
Plan fiduciary net position	$ 62,717,060,920	$ 50,939,496,006
Net pension liability	$ 23,675,412,475	$ 34,351,087,793
Proportionate share	0.03822%	0.03800%
Net pension liability for the District	$ 9,049,048	$ 13,053,836

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

For the year ended June 30, 2022, the District recognized pension expense of $521,106.

At June 30, 2022, 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	$ 570,420	$ -
Net difference between projected and actual plan investment earnings	-	(2,909,240)
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,050	(486,008)
Differences between expected and actual experience	140,174	(53,288)
Reporting Unit's contributions subsequent to the measurement date	1,321,636	-
	$ 2,083,280	$ (3,448,536)

$1,321,636, 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.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

Year Ending September 30	Amount
2022	$ (531,424)
2023	(646,259)
2024	(729,044)
2025	(780,165)

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 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.

MPSERS (Plan) Non-university Employers	September 30, 2021	September 30, 2020
Total other postemployment benefits liability	$ 12,046,393,511	$ 13,206,903,534
Plan fiduciary net position	$ 10,520,015,621	$ 7,849,636,555
Net other postemployment benefits liability	$ 1,526,377,890	$ 5,357,266,979
Proportionate share	0.03846%	0.03777%
Net other postemployment benefits liability for the District	$ 587,096	$ 2,023,613

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

For the year ended June 30, 2022, the District recognized OPEB benefit of $455,156.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 490,783	$ (73,440)
Net difference between projected and actual plan investment earnings	-	(442,505)
Changes in proportion and differences between employer contributions and proportionate share of contributions	48,130	(221,010)
Differences between expected and actual experience	-	(1,675,824)
Reporting Unit's contributions subsequent to the measurement date	319,600	-
	$ 858,513	$ (2,412,779)

$319,600, 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
2022	$ (533,674)
2023	(472,354)
2024	(394,072)
2025	(348,243)
2026	(110,961)
2027	(14,562)

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 mortality improvements using projection scale MP-2017 from 2006.

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.80% (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 – Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

* Long term rate of return are net of administrative expenses and 2.0% inflation.

Rate of Return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14%, 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.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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.

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	$ 12,937,685	$ 9,049,048	$ 5,825,113

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	$ 1,090,931	$ 587,096	$ 159,521

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

	Other Postemployment Benefit		
	1% decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	$ 142,895	$ 587,096	$ 1,086,877

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 2021 Annual Comprehensive Financial Report.

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

NOTE 8 - RISK MANAGEMENT

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

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

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund payable and receivable balances at June 30, 2022 are as follows:

Receivable Fund		Payable Fund	
General fund	$ 213,713	2010 Building & Site Bonds, Series A	$ 1,026,614
2015 Refunding debt service	790,362	Food service	5,500
2010 Building & Site Bonds, Series B	28,039		
	$ 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.

NOTE 10 - SUBSEQUENT EVENTS

The District has approved borrowing $840,000 for fiscal year 2023 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 2022 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 PRONOUNCEMENT

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.

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

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.

There was no material impact on the District's financial statement after the adoption of GASB Statement 87.

REQUIRED SUPPLEMENTARY INFORMATION

DECATUR PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 1,081,236	$ 1,058,421	$ 1,148,713	$ 90,292
State sources	6,220,459	6,660,292	6,670,615	10,323
Federal sources	1,413,366	1,018,500	1,126,877	108,377
Intermediate school districts	203,125	241,542	207,325	(34,217)
TOTAL REVENUES	8,918,186	8,978,755	9,153,530	174,775
EXPENDITURES				
Current				
Instruction				
Basic programs	3,878,281	4,381,593	4,200,813	180,780
Added needs	1,119,379	1,248,576	1,153,235	95,341
Total instruction	4,997,660	5,630,169	5,354,048	276,121
Supporting services				
Pupil	159,309	212,704	185,575	27,129
Instructional staff	118,119	174,732	111,572	63,160
General administration	349,721	328,896	321,292	7,604
School administration	438,165	485,358	469,885	15,473
Business	455,226	339,277	372,043	(32,766)
Operation/maintenance	877,385	912,340	953,189	(40,849)
Pupil transportation	426,153	282,631	396,364	(113,733)
Central	305,500	442,346	454,798	(12,452)
Athletics	309,514	281,273	304,439	(23,166)
Total supporting services	3,439,092	3,459,557	3,569,157	(109,600)
Community services	11,000	11,600	20,442	(8,842)
Debt Service				
Principal repayment	-	13,852	13,852	-
Interest	-	1,748	1,748	-
Capital outlay	-	-	94,775	(94,775)
TOTAL EXPENDITURES	8,447,752	9,116,926	9,054,022	62,904
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	470,434	(138,171)	99,508	237,679
OTHER FINANCING SOURCES (USES)				
Transfer in	16,486	24,120	-	(24,120)
Transfers out	(496)	-	-	-
Lease proceeds	-	-	94,775	94,775
TOTAL OTHER FINANCING SOURCES (USES)	15,990	24,120	94,775	70,655
NET CHANGE IN FUND BALANCE	$ 486,424	$ (114,051)	194,283	$ 308,334
FUND BALANCE				
Beginning of year			2,509,282	
End of year			$ 2,703,565	

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions – there were no changes of assumptions in 2021.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - the assumption changes for 2021 were:

> Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

ADDITIONAL SUPPLEMENTARY INFORMATION

DECATUR PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2022

	Special Revenue		Debt Service		
	Food Service	Student/ School Activities	2010 Building and Site Bonds Series B	2019 Refunding Bonds	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	$ 385,704	$ 349,084	$ 9,425	$ 71,753	$ 815,966
Receivables					
Intergovernmental	42,669	-	-	-	42,669
Due from other funds	-	-	28,039	-	28,039
Inventories	24,030	-	-	-	24,030
Prepaids	40,000	-	-	-	40,000
TOTAL ASSETS	$ 492,403	$ 349,084	$ 37,464	$ 71,753	$ 950,704
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 78,329	$ -	$ -	$ -	$ 78,329
Due to other funds	5,500	-	-	-	5,500
Unearned revenue	2,866	-	-	-	2,866
TOTAL LIABILITIES	86,695	-	-	-	86,695
FUND BALANCES					
Nonspendable					
Inventories	24,030	-	-	-	24,030
Prepaids	40,000	-	-	-	40,000
Restricted for debt service	-	-	37,464	71,753	109,217
Restricted for food service	341,678	-	-	-	341,678
Committed for student/school activities	-	349,084	-	-	349,084
TOTAL FUND BALANCES	405,708	349,084	37,464	71,753	864,009
TOTAL LIABILITIES AND FUND BALANCES	$ 492,403	$ 349,084	$ 37,464	$ 71,753	$ 950,704

DECATUR PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2022

	Special Revenue		Debt Service		
	Food Service	Student/ School Activities	2010 Building and Site Bonds Series B	2019 Refunding Bonds	Total Nonmajor Funds
REVENUES					
Local sources					
Property taxes	$ -	$ -	$ 26,659	$ 126,130	$ 152,789
Food sales	16,196	-	-	-	16,196
Investment earnings	317	60	-	-	377
Other	191	-	-	-	191
Student/school activities	-	29,678	-	-	29,678
State sources	38,717	-	-	-	38,717
Federal sources	709,300	-	-	-	709,300
TOTAL REVENUES	764,721	29,738	26,659	126,130	947,248
EXPENDITURES					
Current					
Food service activities					
Purchased services	245,668	-	-	-	245,668
Supplies and materials	378,797	-	-	-	378,797
Capital outlay	7,396	-	-	-	7,396
Other expenses	23,549	-	-	-	23,549
Student/school activities	-	37,480	-	-	37,480
Debt service					-
Interest	-	-	32,850	120,936	153,786
Other expenses	-	-	790	339	1,129
TOTAL EXPENDITURES	655,410	37,480	33,640	121,275	847,805
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	109,311	(7,742)	(6,981)	4,855	99,443
OTHER FINANCING SOURCES (USES)					
School loan revolving fund issuance	-	-	14,153	59,463	73,616
NET CHANGE IN FUND BALANCES	109,311	(7,742)	7,172	64,318	173,059
FUND BALANCES					
Beginning of year	296,397	356,826	30,292	7,435	690,950
End of year	$ 405,708	$ 349,084	$ 37,464	$ 71,753	$ 864,009

DECATUR PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2022

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

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ -	$ 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
$ 4,865,000	$ 434,804	$ 434,804		$ 5,734,608

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, 2022

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

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ 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
$ 915,000	$ 24,401	$ 24,401		$ 963,802

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

DECATUR PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2022

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

Principal Due May 1	Interest Due May 1	Interest Due November 1	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
$ 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
$ 5,455,000	$ 442,250	$ 442,250		$ 6,339,500

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

DECATUR PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2022

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

	Interest Due			Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	QSCB Credit	June 30,	Amount
$ -	$ 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
$ 11,350,000	$ 1,830,185	$ 1,830,185	$ (2,937,585)		$ 12,072,785

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 refurnishing, equipping and re-equipping school facilities; acquiring, installing and equipping technology for instructional purposes; constructing, equipping, developing and improving athletic facilities, play fields and playgrounds; developing and improving sites.

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, 2022

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

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ -	$ 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
$ 700,000	$ 180,975	$ 180,975		$ 1,061,950

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

DECATUR PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING PROGRAM
JUNE 30, 2022

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

Year Ended June 30,	Loan Proceeds (Payments)	Interest Expense (Payments)	Loan Balance (Net Change)
2012	$ 167,069	$ 3,510	$ 170,579
2013	435,408	12,391	447,799
2014	373,070	28,709	401,779
2015	376,778	41,787	418,565
2016	546,000	56,312	602,312
2017	377,655	70,274	447,929
2018	916,533	85,847	1,002,380
2019	1,100,440	125,882	1,226,322
2020	1,114,305	61,003	1,175,308
2020 refinance payment	(4,292,178)	(476,822)	(4,769,000)
2021	1,402,640	45,714	1,448,354
2022	621,675	69,018	690,693
Total June 30, 2022	$ 3,139,395	$ 123,625	$ 3,263,020

DECATUR PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts (Payments)	Accrued (Unearned) Revenue 6/30/2022
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash assistance (donated foods)									
Entitlement Donated Foods	10.555	N/A	$ 33,664	$ -	$ -	$ -	$ 33,664	$ 33,664	$ -
Cash Assistance									
COVID-19 - National School Lunch Program	10.555	211961	45,865	-	-	-	45,865	45,865	-
		220910	30,137	-	-	-	30,137	30,137	-
		221961	332,326	-	-	-	342,349	332,326	10,023
Total ALN 10.555			441,992	-	-	-	452,015	441,992	10,023
COVID -19 - School Breakfast Program	10.553	211971	22,643	-	-	-	22,643	22,643	-
		221971	171,757	-	-	-	178,382	171,757	6,625
Total ALN 10.553			194,400	-	-	-	201,025	194,400	6,625
COVID-19 - Summer Food Service Program for Children	10.559	210904	545,480	25,108	470,507	-	49,865	74,973	-
Total Child Nutrition Cluster			1,181,872	25,108	470,507	-	702,905	711,365	16,648
COVID-19 - Child and Adult Care Food Program	10.558	211920	184,601	-	183,536	-	1,089	1,065	24
		212010	11,205	1,123	11,147	-	58	1,181	-
		211925	3,882	-	-	-	3,882	3,882	-
		221920	713	-	-	-	713	713	-
		222010	39	-	-	-	39	39	-
Total ALN 10.558			200,440	1,123	194,683	-	5,781	6,880	24
COVID-19 - Pandemic EBT Local Level Costs	10.649	210980	614	-	-	-	614	614	-
Total U.S. Department of Agriculture			1,382,926	26,231	665,190	-	709,300	718,859	16,672

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, 2022

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts (Payments)	Accrued (unearned) Revenue 6/30/2022
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	221530-2122	$ 196,504	$ -	$ -	$ -	$ 192,901	$ -	$ 192,901
		211530-2021	213,056	55,056	213,056	-	-	51,453	3,603
Total ALN 84.010			409,560	55,056	213,056	-	192,901	51,453	196,504
Supporting Effective Instruction State Grants	84.367	220520-2122	38,128	-	-	-	30,278	-	30,278
		210520-2021	47,804	10,680	39,680	-	2,298	12,978	-
Total ALN 84.367			85,932	10,680	39,680	-	32,576	12,978	30,278
English Language Acquisition State Grants	84.365	210570-2021	1,348	1,348	1,348	-	-	1,348	-
		220570-2122	709	-	-	-	615	-	615
Total ALN 84.365			2,057	1,348	1,348	-	615	1,348	615
Student Support and Academic Achievement	84.424	210750-2122	14,197	-	-	-	13,063	-	13,063
		210750-2021	14,739	-	14,445	-	294	294	-
Total ALN 84.424			28,936	-	14,445	-	13,357	294	13,063
Rural Education	84.358	210660-2021	14,593	3,398	13,328	-	1,008	4,406	-
Education Stabilization Fund									
COVID-19 - Governor's Emergency Education									
Relief Fund (GEER I)	84.425C	201200-2021	63,144	51,558	52,278	-	-	50,838	720
Relief Fund (GEER II)		211202-2122	11,500	-	-	-	11,500	11,500	-
Relief Fund (GEER II Benchmark Assessment)		211222-2022	6,550	-	-	-	6,550	-	6,550
COVID-19 - Elementary and Secondary School									
Emergency Relief Fund (ESSER I Formula Funds)	84.425D	203710-1920	157,447	157,447	157,447	-	-	-	157,447
Emergency Relief Fund (ESSER II Formula Funds)		213712-2021	674,949	21,900	21,900	-	331,757	-	353,657
Emergency Relief Fund (ESSER II Summer School)		213722-2122	53,900	-	-	11,224	41,942	-	53,166
Emergency Relief Fund (ESSER II Credit Recovery)		213742-2122	41,800	-	-	2,190	29,378	-	31,568
Emergency Relief Fund (ESSER II Before and After School)		213752-2122	25,000	-	-	-	22,927	-	22,927
Emergency Relief Fund (ESSER Education Equity Funds)		203720-1920	31,489	30,286	30,286	-	-	-	30,286
Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	1,516,916	-	-	-	424,745	424,745	-
Total ALN 84.425			2,582,695	261,191	261,911	13,414	868,799	487,083	656,321
Total U.S. Department of Education			3,123,773	331,673	543,768	13,414	1,109,256	557,562	896,781
U.S. Department of Health and Human Services									
Passed through Van Buren Intermediate School District									
Medicaid Cluster									
Medical Assistance Program	93.778	2021	497	-	-	-	497	497	-
Federal Communication Commission									
Direct Program	32.009	2122							
COVID - 19 - Emergency Connectivity Funding Program			3,710	-	-	-	3,710	3,710	-
TOTAL FEDERAL AWARDS			$ 4,510,906	$ 357,904	$ 1,208,958	$ 13,414	$ 1,822,763	$ 1,280,628	$ 913,453

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, 2022

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, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Decatur Public Schools, it is not intended to and does not present the financial position or changes in net position of Decatur Public Schools.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2022:

General fund	$ 1,126,877
Major debt service	595,089
Other nonmajor governmental funds	709,300
Total federal revenue in the fund financial statements	2,431,266
Less: Federal tax credits	(595,089)
Less: Prior year federal expenditures incurred but not reported on SEFA	(13,414)
Federal program expenditures subject to the Uniform Guidance	$ 1,822,763

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Decatur Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Public Schools as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Decatur Public Schools' basic financial statements and have issued our report thereon dated October 27, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

The District's Response to Findings

Decatur Public Schools' responses to the findings identified in our audit are described in the accompanying corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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.

Maner Costerisan PC

October 27, 2022

Maner Costerisan

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

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

To the Board of Education
Decatur Public Schools

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Decatur Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Decatur Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Decatur Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Maner Costerisan PC

October 27, 2022

DECATUR PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:	*Unmodified*
Internal control over financial reporting:	
➢ Material weakness(es) identified?	____ Yes __X__ None
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es)?	__X__ Yes ____ None reported
Noncompliance material to financial statements noted?	____ Yes __X__ None

Federal Awards

Internal control over major programs:	
➢ Material weakness(es) identified?	____ Yes __X__ None
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ Yes __X__ None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*
Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?	____ Yes __X__ No

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	__X__ Yes ____ No

DECATUR PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section II - Financial Statement Findings

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

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

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

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

Question costs: None

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

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

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

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

Section III - Federal Award Findings and Question Costs

None

DECATUR PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

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

Federal Program:	Child Nutrition Cluster
Assistance Listing Number:	10.553, 10.555 and 10.559
Federal Agency:	U.S. Department of Agriculture
Pass-through entity:	Michigan Department of Education
Pass-through number:	200902, 21904, 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 and the seamless summer option reimbursement programs which is causing a larger than normal increase in the food service fund balance.

Effect: At June 30, 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.

Status: See current year finding 2022-001.

DECATUR PUBLIC SCHOOLS
110 CEDAR STREET
DECATUR, MICHIGAN 49045

Phone: 269-423-6800
Fax: 269-423-6849

Dr. Patrick Creagan
Superintendent

DECATUR PUBLIC SCHOOLS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

Decatur Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2022.

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

Audit Period: Year ended June 30, 2022

District Contact Person: Makrina Conklin, Business Manager

The finding from the June 30, 2022 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding – Financial Statement Findings

Finding 2022-001 Considered a significant deficiency

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

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.

Anticipated Completion Date: June 30, 2023.

Maner Costerisan

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

October 27, 2022

To the Board of Education
Decatur Public Schools

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Decatur Public Schools for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Decatur Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2022. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

> Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

A separate management letter was not issued.

Restriction on Use

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

Very truly yours,

Maner Costerisan PC