

**Davison Community Schools**

**Financial Statements**

**June 30, 2021**



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**Davison Community Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2021**

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**Members of the Board of Education**

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Mr. Granger Stefanko	Vice President
Ms. Diane Rhines	Secretary
Mr. Eric Lieske	Treasurer
Mr. Nicholas Goyette	Trustee
Ms. Stefanie Pickell	Trustee
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**Administration**

Mr. Kevin Brown	Superintendent
Ms. Leslie Young	Director of Business Services



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## Independent Auditors' Report

To Management and the Board of Education  
Davison Community Schools  
Davison, Michigan

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

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Davison Community Schools, as of June 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Davison Community Schools' basic financial statements. Other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, 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. Such 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 other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2021 on our consideration of Davison Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Davison Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Davison Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, MI

September 3, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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## Management Discussion and Analysis For the Year Ended June 30, 2021

Our discussion and analysis of Davison Community Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2021. This reporting model was adopted by the Governmental Accounting Standards Board *Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, (GASB 34) in June, 2000.

GASB 34 and generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: fund financial statements and district-wide financial statements.

### Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds – not the School District as a whole. The fund-level financial statements are reported on a modified accrual basis. That is, only those assets that are "measurable" and "currently available" are reported, and liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. The School District has two kinds of funds:

- *Governmental Funds*: All of the School District's basic services are provided in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The School District's governmental funds include the General Fund, Cafeteria, School Activity and Community Enrichment & Recreation Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

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Director of Business Services  
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- *Fiduciary Funds:* The School District is the trustee or fiduciary for assets that belong to others in the agency fund. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

## **District-wide Financial Statements**

The District-wide Statement of Net Position and Statement of Activities are reported using the full accrual basis of accounting. With this method, all of the School District's assets, liabilities, current year revenues and expenditures are reported, regardless of when cash is received or paid. These statements provide information about the activities of the School District as a whole, and present a long-term view of the School District's finances. For example, the Statement of Activities details how the School District's services were financed in the short-term and the amount that remains for future spending. The Statement of Net Position aggregates the School District's restricted and unrestricted assets as well as short and long-term obligations recorded in all funds.

## **Financial Position and Results of Operations**

The School District's Net Position – the difference between assets and liabilities, as reported in the Statement of Net Position, is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's Net Position, as reported in the Statement of Activities, is one indicator of whether its financial health is improving or deteriorating, respectively. The relationship between revenues and expenses indicates the School District's operating results. To assess the School District's overall health, it is important to consider additional non-financial factors such as the quality of educational services provided, the condition of school buildings and facilities, the safety of the schools, and other non-financial factors.

## Summary of Net Position

The School District's Net Position totaled \$ (70,09,209) at June 30, 2021 and \$ (70,621,563) at June 30, 2020. Restricted Net Position is reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use the Net Position for day-to-day operations. The following is a summary of the School District's Net Position at June 30, 2021 and June 30, 2020:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<b>Assets</b>		
Current assets	\$ 26,997,790	\$ 15,296,880
Investments	39,081,291	0
Capital assets, net of depreciation	51,820,238	45,006,077
<b>Deferred Outflows</b>		
Deferred outflows --debt refunding	51,000	102,000
Deferred outflows --pension expense	23,405,441	30,999,324
Deferred outflows --OPEB expense	<u>7,825,886</u>	<u>6,896,315</u>
<b>Total assets and outflows of resources</b>	<b><u>\$ 149,181,646</u></b>	<b><u>\$ 98,300,596</u></b>
<b>Liabilities</b>		
Current liabilities	\$ 7,265,803	\$ 5,822,795
Long-term liabilities --pension liability	110,029,399	107,123,441
Long-term liabilities --OPEB liability	17,123,575	22,975,197
Long-term liabilities	<u>65,125,002</u>	<u>14,297,574</u>
Total liabilities	<u>199,543,779</u>	<u>150,219,007</u>
<b>Deferred Inflows</b>		
Deferred net pension liability	\$ 6,214,901	\$ 9,039,711
Deferred net OPEB liability	<u>13,432,175</u>	<u>9,663,441</u>
Total deferred inflows	<u>19,647,076</u>	<u>18,703,152</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	31,427,087	31,271,395
Restricted for debt service	1,296,640	295,006
Restricted for capital projects	382,243	0
Unrestricted	<u>(103,115,179)</u>	<u>(102,187,964)</u>
Total net position	<u>(70,009,209)</u>	<u>(70,621,563)</u>
<b>Total liabilities and Net Position</b>	<b><u>\$ 149,181,646</u></b>	<b><u>\$ 98,300,596</u></b>

## **Analysis of Financial Position**

During the fiscal year ended June 30, 2021, the School District's Net Position increased by \$612,354. A few of the significant factors affecting Net Position during the year are discussed below:

### **A. Governmental Operations**

In the School District's governmental funds, revenues exceed expenditures by \$ 3,498,614 for the fiscal year ended June 30, 2021. See the section entitled Major Governmental Funds Budgeting and Operating Highlights below for further discussion of governmental fund operations.

### **B. Depreciation Expense**

The provisions of GASB 34 require the School District to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in Net Position. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less the estimated salvage value. For the year ended June 30, 2021, the net increase in accumulated depreciation was \$ 2,209,711

### **C. Capital Acquisitions**

Capital outlay for the year ended June 30, 2021 totaled \$ 9,023,872. Capital outlay was offset by current year depreciation expense of \$ 2,209,711 creating a Net Position increase from capital outlay of \$ 6,814,161.

### **D. Net Pension liability**

Beginning with the year ended June 30, 2015 is the requirement for Accounting and Financial Reporting of Pensions, GASB 68 & 71. These statements require the district to report our proportionate share of MPERS (Michigan Public School Employees' Retirement System) net pension liability, related deferred outflows and inflows. For the year ended June 30, 2021 the pension liability was \$110,029,399.

### **E. Net OPEB liability**

Beginning with the year ended June 30, 2018 is the requirement for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, GASB 75. This statement requires the district to report our proportionate share of MPERS (Michigan Public School Employees' Retirement System) net OPEB liability, related deferred outflows and inflows. For the year ended June 30, 2021 the pension liability was \$17,123,575.

**F. Acquisition of Long-Term Debt**

The issuance of debt increases the School District's long-term principal obligations and reduces the Net Position of the School District. The School District issued long-term debt during the year ended June 30, 2013 for the Central Renovation Project totaling \$ 11,835,000, and refunded previous debt totaling \$ 8,125,000. In addition, this year the district issued long term debt for upgrades to various facilities totaling \$ 54,010,645. The bond premiums resulting from issuance of debt are amortized over the remaining life of the issued debt. Amortization of bond premiums was \$ 60,651 for the year ended June 30, 2021. The deferred amount on refunding is amortized over the remaining life of the bonds. The amortization of this deferred amount for the year ended June 30, 2021 was \$ 51,000.

**G. Repayments of Long-Term Debt**

Repayment of long-term debt decreases the School District's long-term principal obligations, thereby increasing the School District's Net Position. The School District repaid \$ 3,157,509 of long-term general obligation bonds during the current year.

## Results of Operations

The results of operations for the School District as a whole for the year ended June 30, 2021 are reported in the Statement of Activities. A summary of the district-wide results of operations for the years ended June 30, 2021 and June 30, 2020 are as follows:

<b>Revenue</b>	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>
General revenue:		
Property taxes, levied for general purposes	\$ 4,397,596	\$ 4,029,507
Property taxes, levied for debt service	4,649,998	1,929,566
Property taxes, levied for sinking fund	1,248,800	1,189,379
State aid, unrestricted	41,246,511	40,431,610
Interest and investment earnings	(101,808)	49,804
Other	<u>254,887</u>	<u>206,660</u>
Total general revenue	<u>51,695,984</u>	<u>47,835,526</u>
Program revenue:		
Charges for services	608,630	1,207,787
Operating grants and contributions	<u>19,767,295</u>	<u>14,650,982</u>
Total revenue	<u>72,071,909</u>	<u>63,694,295</u>
<b>Expenses</b>		
Instruction	39,758,312	38,829,519
Supporting services	26,064,912	25,949,629
Food services	2,423,668	2,721,920
Community services	885,459	928,452
Interest on long-term debt	<u>2,327,204</u>	<u>464,629</u>
Total expenses	<u>71,459,555</u>	<u>68,894,149</u>
Change in Net Position	612,354	(5,199,854)
Net Position – beginning	<u>(70,621,563)</u>	<u>(65,421,709)</u>
Net Position – ending	<u>\$ (70,009,209)</u>	<u>\$ (70,621,563)</u>

## **Governmental Funds Financial Highlights**

The General Fund is reported separately as a major fund in the fund financial statements. Funds reported as “Other Governmental Funds” in the fund financial statements include the Cafeteria, Student Activity and Community Enrichment & Recreation Special Revenue Funds, Debt Retirement Funds, and Capital Projects Sinking Fund.

The annual fund financial statements provide the following insights about the results of this year’s operations:

### **A. General Fund**

The overall financial condition of the School District’s General Fund remained stable during the year ended June 30, 2021. The General Fund experienced an increase in fund equity of \$ 3,498,614 or 43.4% during the year ended June 30, 2021. Ending fund equity in the General Fund is \$ 11,563,594 at June 30, 2021, which equates to 19.36% of expenditures and other financing uses for the year.

Please refer to the Major Governmental Funds Budgeting and Operating Highlights section below for further discussion of General Fund operations for the year.

### **B. Other Governmental Funds**

Other governmental funds experienced an overall increase in fund equity of \$ 1,792,723 during the year ended June 30, 2021. The fund balance of the School District’s Special Revenue Funds (Cafeteria, Student Activity and Community Enrichment & Recreation) increased \$ 280,946 over the prior year, resulting in ending fund equity of \$ 1,333,516 or 46.1% of expenditures and other financing uses for the year ended June 30, 2021. The Special Revenue Cafeteria Fund balance is higher than usual due to the Extended Summer Feeding Program that the district participated in during the COVID-19 pandemic. The district will work on a plan to spend down these funds to make sure we meet the State requirements of having only 3 months’ average expenditure reserves. Debt Retirement funds experienced an increase in fund equity of \$ 1,138,794 during the year ended June 30, 2021, to end fund equity of \$ 1,499,472. The Capital Projects Sinking Fund experienced an increase in fund equity of \$ 372,983 during the year ended June 30, 2021, resulting in ending fund equity of \$ 382,243.

## **Major Governmental Fund Budgeting and Operating Highlights**

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, based on facts and assumptions known at the time of the initial budget adoption. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment figures and resultant staffing requirements, staffing changes that take place during the year, state school aid adjustments, grant allocations, and other unforeseen items. The School District amended its budget three times during the year ended June 30, 2021, to adjust for these changes. The School District prepares budgets for the General Fund, Special Revenue Funds, Debt Retirement Funds, Capital Projects Funds and 2020 School Building and Site Bond, Series 1.

### **General Fund**

In the General Fund, actual revenue and other sources for the year ended June 30, 2021, was \$ 63 million. This is higher than the original budget estimate of \$ 54 million and below the final amended budgeted amount of \$ 64 million, a variance of \$ 1,109,611 or 1.73%. The variances between the actual revenue and the original and final amended budgets in the General Fund are due primarily to the following:

- Adjustments to state school aid due to changes in student enrollment, where the original budget was based on enrollment estimates.
- Adjustments to state school aid due to discussions of a possible reduction to foundation allowance related to COVID-19 shutdown revenue impacts.
- Adjustments to funds received from the Genesee Intermediate School District for grant programs.
- Adjustments to local revenue sources, including property taxes, investment earnings, and charges for services.
- Adjustments to various local, state, and federal grants.

The actual expenditures and other uses of the General Fund were \$ 59 million. This is above the original budget estimate of \$ 57 million and below the final amended budgeted amount of \$ 63 million, a variance of \$ 3,887,243 or 6.1%. The variances between the actual General Fund expenditures and the original and final expenditure budgets include the following:

- Unspent allocations for employee salary and related benefits.
- Adjustments for federal and state grant expenditures.
- Unspent budget allocations for teaching supplies, textbooks, instructional materials, and capital outlay.
- Unspent Board of Education, Central Office, and school administration.
- Adjustments for staff, supplies, etc that were originally reduced due to a possible foundation allowance reduction.

The General Fund revenues exceed expenditures by \$ 3,498,614 during the year ended June 30, 2021, which resulted in a 43.4% increase in fund equity. The ending fund equity in the General Fund was \$ 11,563,594 at June 30, 2021, which equates to 19.36% of expenditures for the year.

## Governmental Fund Revenue

Revenue and other financing sources for all governmental funds were \$126.9 million for the year ended June 30, 2021. Of the total revenues and other sources, \$ 11.5 million or 9.0% were generated from local sources, \$ 51.8 million or 40.8% were generated from state sources, \$7.9 million or 6.3% were generated from federal sources, \$55.7 million or 43.9% from inter-district and other financing sources.

### A. Unrestricted State Aid

The School District is predominantly funded by State Aid. Unrestricted state aid is determined by the following three variables: (1) State of Michigan student foundation allowance; (2) student enrollment for the year, superblend of 25% of the current year's blended student count and 75% of the previous year's blended student count; and (3) the School District's operating property tax levy on non-primary residence and commercial personal property. Typically blended student count is 90% of the current year's fall count and 10% of the previous year's spring count, however due to COVID-19 the state created a Superblend formula to help districts who might have lost students due to the pandemic.

Annually, the State of Michigan establishes the per student foundation allowance. For the year ended June 30, 2021, the foundation allowance for Davison Community Schools remained at \$ 8,111. This is the same amount that was originally approved for the 2019/2020 school year, and was later reduced by \$175 due to COVID-19, thus resulting in a net foundation allowance of \$7936 for 2019/2020.

The School District's superblend student enrollment count used to calculate state aid for the year ended June 30, 2021, was 5,719 students. This is a decrease of 25 full-time equated students from the year ended June 30, 2020. The following schedule summarizes the School District's blended student enrollment in full-time equivalencies and per student Foundation Allowance for the year ended June 30, 2021, and the previous five years:

#### Student Enrollment and Foundation Allowance History 2016 to 2020

<u>Year</u>	<u>Student Enrollment</u>	<u>Change from Prior Year</u>	<u>Net Foundation Allowance</u>	<u>Change from Prior Year</u>
2020/2021	5,719	25	\$ 8,111	175
2019/2020	5,744	36	7,936	65
2018/2019	5,708	(90)	7,871	240
2017/2018	5,798	(5)	7,631	120
2016/2017	5,803	141	7,511	120

**B. Property Taxes**

The School District levies 18 mills of property taxes on all non-primary residence property and 6 mills on all commercial personal property located within the School District for General Fund operations. The levy is assessed on the Taxable Value of the property. The increase in taxable value is limited to the lesser of the inflation rate or 5%. When a property is sold, the Taxable Valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. This levy was subject to millage reduction fractions and, as a result, the School District levied 17.7606 mills for operations on non-primary residence property and 5.7606 mills on commercial personal property during the year ended June 30, 2021, and property tax revenue was \$ 4.4 million for general operations.

The School District levied 5.14 mills on all classes of property located within the School District for bonded debt retirement on the 2012 Refunding Bonds, the 2013 Refunding Bonds, the 2013 Central Project, and the 2020 Series 1 Bond. This levy is not subject to millage reduction fractions and taxes are used to pay the principal and interest on bond obligations. The total amount levied for debt retirement was \$ 4.65 million for the year ended June 30, 2021.

The School District's sinking fund is used for major repairs and replacement of the School District's buildings and sites, as allowed by Michigan statute. In 2015, the School District's voters renewed a 1.4116 mill levy, for a ten-year period of 2016 through 2025. This levy is subject to millage reduction fractions, and, as a result, the School District levied 1.3768 mills for the sinking fund during the year ended June 30, 2021, and property tax revenue was \$ 1.25 million.

**Governmental Fund Expenditures**

The following chart illustrates General Fund expenditures and other uses within the governmental funds comprised %'s. For the year ended June 30, 2021, expenditures and other financing uses totaled \$77.5 million for all School District programs. The ending fund equity for all funds totaled \$58.9 million at June 30, 2021.

**Governmental Fund Expenditures & Other Uses  
For the Years Ended June 30, 2021 and 2020  
(Amounts in Millions)**

	<u>2021</u>	2021 <u>Percent</u>	<u>2020</u>	2020 <u>Percent</u>
General Fund	\$ 59.8	77.2%	\$ 56.8	90.0%
Other Governmental Funds	<u>17.7</u>	<u>22.8%</u>	<u>6.3</u>	<u>10.0%</u>
Total	<u>\$ 77.5</u>	<u>100.0%</u>	<u>\$ 63.1</u>	<u>100.0%</u>

## Capital Asset and Debt Administration

### A. Capital Assets

As of June 30, 2021, the School District had \$ 86.5 million invested in land and buildings, furniture and equipment, buses and other vehicles, and construction in progress. Of this amount, \$ 34.7 million has been depreciated, which resulted in a net book value of \$ 51.8 million. Total additions for the year were \$ 9,023,872 consisting of construction in progress as of June 30, 2021, furniture and equipment and bus purchases during the year.

The School District's buildings range in years of construction from 1930 (Central Elementary School) to 2013 (Central Elementary Remodel). The majority of the buildings were constructed in the 1950's and 1960's. The School District is committed to timely repairs and maintenance of its facilities. Computer purchases fall below the School District's capitalization threshold of \$ 5,000 and are expensed accordingly.

The following chart illustrates the composition of Capital Assets at June 30, 2021 and 2020.

#### Capital Assets at Year-End (In Millions)

	June 30, 2021	June 30, 2020
Land, buildings, and additions	\$ 64.9	\$ 64.9
Equipment and furniture	9.4	9.4
School buses and other vehicles	2.9	2.9
Construction in progress	<u>9.3</u>	<u>0.3</u>
Total	86.5	77.5
Less accumulated depreciation	<u>(34.7)</u>	<u>(32.5)</u>
Net capital assets	\$ 51.8	\$ 45.0

**B. Long-Term Debt**

As of June 30, 2021 the School District had \$ 64.6 million in net long term obligations. The School District collects property taxes for bonded debt for the 2012 and 2013 refunding bonds, 2013 Central Bonds, and 2020 Series 1 Bond across all property values. Total growth in valuation is an important element in determining the School District's ability to retire bonded debt and/or to incur additional bonded debt as increased enrollment may require.

<b>Outstanding Debt at Year-End (In Millions)</b>		
	<b>June 30, 2021</b>	<b>June 30, 2020</b>
Government obligation bonds	\$ 56.4	\$ 12.6
Unamortized bond premium and issue costs	8.0	0.1
Notes payable	<u>2</u>	<u>1.1</u>
Total outstanding debt	<u>\$ 64.6</u>	<u>\$ 13.8</u>

For more detailed information regarding capital assets and debt administration, please review the Notes to Financial Statements located in the financial section of this report.

**Contacting the District's Financial Management**

This financial report is designed to provide an overview of the financial conditions of the Davison Community School District. If you have questions concerning any of the information provided in this report or need additional information, contact Leslie Young, Director of Business Services, Davison Community Schools, 1490 N. Oak Road, P.O. Box 319, Davison, Michigan, 48423, by telephone at (810) 591-0803, or email at [lyoung@davisonschools.org](mailto:lyoung@davisonschools.org).

## BASIC FINANCIAL STATEMENTS

**Davison Community Schools**  
**Statement of Net Position**  
**June 30, 2021**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 15,290,778
Accounts receivable	185,182
Due from other governmental units	11,351,648
Due from agency fund activities	1,000
Inventory	35,885
Investments	39,081,291
Prepaid items	133,297
Capital assets not being depreciated	9,304,412
Capital assets - net of accumulated depreciation	<u>42,515,826</u>
 Total assets	 <u>117,899,319</u>
 <b>Deferred outflows of resources</b>	
Deferred amount on debt refunding	51,000
Deferred amount relating to the net pension liability	23,405,441
Deferred amount relating to the net OPEB liability	<u>7,825,886</u>
 Total deferred outflows of resources	 <u>31,282,327</u>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Statement of Net Position**  
**June 30, 2021**

	Governmental Activities
<b>Liabilities</b>	
Accounts payable	\$ 1,554,784
State aid anticipation note payable	682,143
Due to other governmental units	752,831
Due to agency fund activities	1,850
Payroll deductions and withholdings	158,848
Accrued expenditures	1,029,187
Accrued salaries payable	2,616,444
Unearned revenue	469,716
Long-term liabilities	
Net pension liability	110,029,399
Net OPEB liability	17,123,575
Debt due within one year	2,813,035
Debt due within more than one year	62,311,967
Total liabilities	199,543,779
<b>Deferred inflows of resources</b>	
Deferred amount relating to net pension liability	6,214,901
Deferred amount relating to the net OPEB liability	13,432,175
Total deferred inflows of resources	19,647,076
<b>Net Position</b>	
Net investment in capital assets	31,427,087
Restricted for	
Debt service	1,296,640
Capital projects	382,243
Unrestricted	(103,115,179)
Total net position	\$ (70,009,209)

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

	Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 39,758,312	\$ 1,585	\$ 15,608,038	\$ (24,148,689)
Supporting services	26,064,912	41,121	1,755,195	(24,268,596)
Food services	2,423,668	16,198	2,313,846	(93,624)
Community services	885,459	549,726	90,216	(245,517)
Interest and other expenditures	2,327,204	-	-	(2,327,204)
Total governmental activities	\$ 71,459,555	\$ 608,630	\$ 19,767,295	(51,083,630)
General revenues				
Property taxes, levied for general purposes				4,397,596
Property taxes, levied for debt service				4,649,998
Property taxes, levied for sinking fund				1,248,800
State aid - unrestricted				41,246,511
Interest and unrealized investment losses				(101,808)
Other				254,887
Total general revenues				51,695,984
Change in net position				612,354
Net position - beginning				(70,621,563)
Net position - ending				\$ (70,009,209)

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2021**

	General Fund	2020 Building & Site Bond, Series I Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 6,104,297	\$ 6,058,276	\$ 3,128,205	\$ 15,290,778
Accounts receivable	147,552	-	37,630	185,182
Due from other funds	733	-	1,484	2,217
Due from other governmental units	11,172,748	-	178,900	11,351,648
Due from agency fund activities	1,000	-	-	1,000
Inventory	-	-	35,885	35,885
Investments	-	39,081,291	-	39,081,291
Prepaid items	32,708	-	100,589	133,297
	<u>17,459,038</u>	<u>45,139,567</u>	<u>3,482,693</u>	<u>66,081,298</u>
Total assets	<u>\$ 17,459,038</u>	<u>\$ 45,139,567</u>	<u>\$ 3,482,693</u>	<u>\$ 66,081,298</u>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2021**

	General Fund	2020 Building & Site Bond, Series I Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities</b>				
Accounts payable	\$ 416,066	\$ 954,551	\$ 184,167	\$ 1,554,784
State aid anticipation note payable	682,143	-	-	682,143
Due to other funds	2,151	-	66	2,217
Due to other governmental units	752,831	-	-	752,831
Due to agency fund activities	350	-	1,500	1,850
Payroll deductions and withholdings	158,848	-	-	158,848
Accrued expenditures	826,355	-	-	826,355
Accrued salaries payable	2,616,444	-	-	2,616,444
Unearned revenue	387,987	-	81,729	469,716
Total liabilities	<u>5,843,175</u>	<u>954,551</u>	<u>267,462</u>	<u>7,065,188</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - grants	<u>52,269</u>	<u>-</u>	<u>-</u>	<u>52,269</u>
<b>Fund Balances</b>				
Non-spendable				
Inventory	-	-	35,885	35,885
Prepaid items	32,708	-	100,589	133,297
Restricted for				
Debt service	-	-	1,499,472	1,499,472
Food service	-	-	438,054	438,054
Capital projects	-	44,185,016	382,243	44,567,259
Committed				
Student activity	-	-	585,289	585,289
Assigned				
Community enrichment & recreation	-	-	173,699	173,699
Budgeted excess expenditures over revenues	4,363,291	-	-	4,363,291
Unassigned	<u>7,167,595</u>	<u>-</u>	<u>-</u>	<u>7,167,595</u>
Total fund balances	<u>11,563,594</u>	<u>44,185,016</u>	<u>3,215,231</u>	<u>58,963,841</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,459,038</u>	<u>\$ 45,139,567</u>	<u>\$ 3,482,693</u>	<u>\$ 66,081,298</u>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2021**

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<b>Total fund balances for governmental funds</b>	\$	58,963,841
Total net position for governmental activities in the statement of net position is different because		
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		
Grants		52,269
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets not being depreciated		9,304,412
Capital assets - net of accumulated depreciation		42,515,826
Deferred outflows (inflows) of resources		
Deferred outflows of resources resulting from debt refunding		51,000
Deferred outflows of resources resulting from the net pension liability		23,405,441
Deferred outflows of resources resulting from the net OPEB liability		7,825,886
Deferred inflows of resources resulting from the net pension liability		(6,214,901)
Deferred inflows of resources resulting from the net OPEB liability		(13,432,175)
Certain liabilities are not due and payable in the current period and are not reported in the funds.		
Accrued interest		(202,832)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Net pension liability		(110,029,399)
Net OPEB liability		(17,123,575)
Compensated absences		(495,835)
Bonds payable		(64,453,994)
Other loans payable and liabilities		(175,173)
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(70,009,209)</u></b>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

	General Fund	2020 Building & Site Bond, Series I Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 4,844,434	\$ (104,198)	\$ 6,725,185	\$ 11,465,421
State sources	51,710,379	-	94,422	51,804,801
Federal sources	5,755,020	-	2,226,484	7,981,504
Interdistrict sources	820,183	-	-	820,183
 Total revenues	 <u>63,130,016</u>	 <u>(104,198)</u>	 <u>9,046,091</u>	 <u>72,071,909</u>
<b>Expenditures</b>				
Current				
Education				
Instruction	35,679,786	-	-	35,679,786
Supporting services	23,029,896	-	398,699	23,428,595
Food services	-	-	2,182,135	2,182,135
Community services	486,061	-	311,157	797,218
Capital outlay	177,630	8,841,125	142,508	9,161,263
Debt service				
Principal	219,787	-	2,937,722	3,157,509
Interest and other expenditures	8,756	-	1,854,030	1,862,786
Bond issuance costs	-	336,909	-	336,909
 Total expenditures	 <u>59,601,916</u>	 <u>9,178,034</u>	 <u>7,826,251</u>	 <u>76,606,201</u>
 Excess (deficiency) of revenues over expenditures	 <u>3,528,100</u>	 <u>(9,282,232)</u>	 <u>1,219,840</u>	 <u>(4,534,292)</u>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

	General Fund	2020 Building & Site Bond, Series I Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of bonds	\$ -	\$ 46,050,000	\$ -	\$ 46,050,000
Premium on issuance of bonds	-	7,960,645	-	7,960,645
Transfers in	172,078	-	680,883	852,961
Transfers out	(201,564)	(543,397)	(108,000)	(852,961)
 Total other financing sources (uses)	 (29,486)	 53,467,248	 572,883	 54,010,645
 Net change in fund balances	 3,498,614	 44,185,016	 1,792,723	 49,476,353
 Fund balances - beginning	 8,064,980	 -	 1,422,508	 9,487,488
 Fund balances - ending	 <u>\$ 11,563,594</u>	 <u>\$ 44,185,016</u>	 <u>\$ 3,215,231</u>	 <u>\$ 58,963,841</u>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2021**

<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 49,476,353</b>
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,209,711)
Capital outlay	9,023,872
Expenses are recorded when incurred in the statement of activities.	
Interest	(137,160)
Compensated absences	(34,943)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(2,905,958)
Net change in the deferred inflow of resources related to the net pension liability	(4,769,073)
The statement of net position reports the net OPEB and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	5,851,622
Net change in the deferred inflow of resources related to the net OPEB liability	(2,839,163)
Bond and note proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference is the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source, or expenditure in the governmental funds. However in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt Issued	(54,010,645)
Repayments of long-term debt	3,157,509
Amortization of premiums	60,651
Amortization of amount on debt refunding	(51,000)
<b>Change in Net position of governmental activities</b>	<b>\$ 612,354</b>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2021**

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	<u>Custodial Scholarship Fund</u>
<b>Assets</b>	
Cash	\$ 18,003
Due from other funds	<u>1,850</u>
 Total assets	 <u>19,853</u>
<b>Liabilities</b>	
Due to General Fund	<u>1,000</u>
<b>Net Position</b>	
Assets held for scholarships and loans	<u><u>\$ 18,853</u></u>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2021**

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	<u>Custodial Scholarship Fund</u>
<b>Additions</b>	
Local sources	\$ <u>9,830</u>
<b>Deductions</b>	
Scholarships	<u>4,000</u>
Change in net position	5,830
Net position - beginning, as restated	<u>13,023</u>
Net position - ending	<u>\$ <u>18,853</u></u>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**Note 1 - Summary of Significant Accounting Policies**

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

**Reporting Entity**

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

**District-wide Financial Statements**

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

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

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

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

2020 School Building and Site Bond, Series I Fund – The 2020 School Building and Site Bond, Series I Fund is used to record the proceeds and uses of the funds received from the bond.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District’s Special Revenue Funds include Food Service Fund, Student Activity Fund, and Davison Community Enrichment and Recreation (DCER).

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

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

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Custodial Scholarship Funds are funds entrusted to the School District for scholarship awards.

**Assets, Liabilities, and Equity**

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

The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2021, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.7606
Commercial personal property	5.7606
Debt Service Funds	5.1400
Sinking Fund	1.3768

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

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School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 99% of the School District's tax roll lies within Genesee County.

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

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

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

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

Buildings and improvements	7-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

*Deferred Outflows of Resources* – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refunding's are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

*Compensated Absences* – Sick days earned by employees vary per department. Administrators, Administrator Support, Custodians, and Teachers are granted 12 sick days a year. Secretaries are granted 10 sick days a year. Teachers and Administrators can accumulate up to 150 days. Custodians can accumulate up to 75 days. Administrator Support can accumulate up to 85 days. Secretaries can accumulate up to 85 days. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum number of days and at a rate determined by their job category. Vacation days per department vary according to how many days are worked and how many years they have been employed.

The liability for compensated absences reported in the district-wide financial statements consist of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

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expected to become eligible in the future to receive such payments upon termination, are included.

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

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

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

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also include revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance – In the fund financial statements, governmental funds report fund balance in the following categories:

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

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

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

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The board of education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

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than the General Fund are automatically assigned by their nature.

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Eliminations and Reclassifications**

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

**Adoption of New Accounting Standards**

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in

which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

**Upcoming Accounting and Reporting Changes**

Statement No. 87, *Leases* increases the usefulness of the District's 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 an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end

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of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a

nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2024.

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

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**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

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

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

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

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

**Excess of Expenditures over Appropriations**

The School District did not have significant expenditure budget variances.

**Compliance Bond Proceeds**

The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2020 School Building and Site Bond, Series I Fund from the inception of the funds through the current fiscal year:

Revenues	\$	53,906,447
Expenses		<u>(9,721,431)</u>
		<u>\$ 44,185,016</u>

**Compliance Sinking Funds**

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

**Note 3 - Deposits and Investments**

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 15,290,778	\$ 18,003	\$ 15,308,781
Investments	<u>39,081,291</u>	<u>-</u>	<u>39,081,291</u>
	<u>\$ 54,372,069</u>	<u>\$ 18,003</u>	<u>\$ 54,390,072</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$	3,492,251
Investments in Michigan Liquid Asset Fund (MILAF)		50,897,322
Petty cash and cash on hand		499
<b>Total</b>		<b>\$ 54,390,072</b>

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
External Investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
Cash Management Class	\$ 3,454,108	N/A	AAA	Standard and Poor's
MAX Class	8,361,923	N/A	AAA	Standard and Poor's
Michigan Term	5,600,000	6 months average	AAA	Kroll
MILAF Managed Account				
US Treasury Notes	9,571,679	2 - 5 years	AA+	Standard and Poor's
Federal Home Loan Bank Notes	1,410,430	2 years	AA+	Standard and Poor's
FNMA Notes	5,678,720	5 years	AA+	Standard and Poor's
Freddie Mac Global Notes	5,198,114	10 years	AA+	Standard and Poor's
Fannie Mae Notes	6,676,229	3 - 5 years	AA+	Standard and Poor's
Freddie Mac Notes	2,183,231	3 years	AA+	Standard and Poor's
Fannie Mae Agency Notes	2,762,888	5 years	AA+	Standard and Poor's
	<u>\$ 50,897,322</u>			

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

As of June 30, 2021, the net asset value of the School District's investment in MILAF + Portfolio was \$11,816,031. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would

make the determination of net asset value not reasonably practical, the Trust's Board of Trustees may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

As of June 30, 2021, the net asset value of the School District's investment in the MILAF Term Series was \$5,600,000. Participation in the investment pool has not resulted in any unfunded commitments. Shares are purchased to mature upon pre-determined maturity dates upon initiation of the investment. Districts may prematurely redeem shares, providing they give a minimum of seven days' notice, but may incur an early redemption penalty. The NAV per share for each series of the Michigan Term Series is calculated as of the close of business each business day, for purpose of computing fees, by dividing the total value of investments and other assets less any liabilities by the total outstanding shares. The value of an investors share redemption in a Michigan Term Series will be determined as of the close of business on any day when a share redemption occurs and is equal to the original purchase price for such share, plus dividends thereon at the projected yield, less losses incurred by the series allocable to such share, if any. It is the Trust's intent to manage each series of the Michigan Term Series in a manner that produces a NAV of \$1.00 per share on each planned redemption date, however, there is no assurance that this objective will be achieved.

**Interest rate risk** – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

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

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$ 4,761,207 of the School District's bank balance of \$ 4,317,968 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

**Note 4 - Fair Value Measurements**

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

As of June 30, 2021, the School District has the following recurring fair value measurements:

Amounts invested in MILAF + Portfolio of approximately \$ 11.8 million. The MILAF + Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs).

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**Note 5 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 178,416	\$ -	\$ -	\$ 178,416
Construction-in-progress	154,000	8,971,996	-	9,125,996
Total capital assets not being depreciated	<u>332,416</u>	<u>8,971,996</u>	<u>-</u>	<u>9,304,412</u>
Capital assets being depreciated				
Buildings and improvements	64,850,980	-	-	64,850,980
Buses and other vehicles	2,911,696	20,000	59,936	2,871,760
Furniture and other equipment	9,443,103	31,876	-	9,474,979
Total capital assets being depreciated	<u>77,205,779</u>	<u>51,876</u>	<u>59,936</u>	<u>77,197,719</u>
Less accumulated depreciation for				
Buildings and improvements	25,878,394	1,507,609	-	27,386,003
Buses and other vehicles	1,713,467	232,247	59,936	1,885,778
Furniture and other equipment	4,940,257	469,855	-	5,410,112
Total accumulated depreciation	<u>32,532,118</u>	<u>2,209,711</u>	<u>59,936</u>	<u>34,681,893</u>
Net capital assets being depreciated	<u>44,673,661</u>	<u>(2,157,835)</u>	<u>-</u>	<u>42,515,826</u>
Net capital assets	<u>\$ 45,006,077</u>	<u>\$ 6,814,161</u>	<u>\$ -</u>	<u>\$ 51,820,238</u>

Depreciation expense was charged to activities of the School District as follows:

<b>Governmental activities</b>	
Instruction	\$ 1,269,848
Support services	833,827
Food services	77,662
Community services	<u>28,374</u>
Total governmental activities	<u>\$ 2,209,711</u>

**Note 6 - Interfund Transfers**

Interfund transfers consist of the following:

	Transfers Out			
	General Fund	2020 B and S Bond, Series I Fund	Nonmajor Governmental Funds	Total
<b>Transfers in</b>				
General Fund	\$ -	\$ -	\$ 108,000	\$ 108,000
Nonmajor Governmental Funds	<u>201,564</u>	<u>543,397</u>	<u>-</u>	<u>744,961</u>
	<u>\$ 201,564</u>	<u>\$ 543,397</u>	<u>\$ 108,000</u>	<u>\$ 852,961</u>

Interfund transfers were made during the year, between the General Fund and the DCER Fund to cover operating shortfalls. Transfers from the Food Service Fund to the General Fund were used to reimburse for indirect costs.

Transfers from the 2020 School Building and Site Bond, Series I Fund to the Debt Security Fund were made in accordance with the bond document for future payments on the bond.

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**Note 7 - Unearned Revenue**

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

Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 387,987
Deposit on future meals	<u>81,729</u>
Total	<u>\$ 469,716</u>

**Note 8 - Leases**

**Operating Leases**

The School District leases copiers under non-cancelable operating leases. Total costs for such leases and related maintenance service were \$ 375,600 for the year. The future minimum lease payments for these leases are as follows

<b>Year ending June 30,</b>	
2022	\$ 371,424
2023	371,424
2024	371,424
2025	371,424
2026	<u>122,608</u>
Total	<u>\$ 1,608,304</u>

**Note 9 - State Aid Anticipation Note**

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th. The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 922,000	\$ 4,775,000	\$ 5,014,857	\$ 682,143

The state aid anticipation note agreement includes an irrevocable set-aside of \$ 682,143 at year end that is considered defeased debt and not included in the ending balance.

**Note 10 - Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. For the School Bond Loan Fund or School Loan Revolving Fund, the State may withhold state aid if the School District is in default or apply late charges in an instance of default or fails to appropriately levy debt mills. Other long-term obligations include

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compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<b>Bonds</b>					
General obligation bonds	\$ 12,590,000	\$ 46,050,000	\$ 2,220,000	\$ 56,420,000	\$ 2,555,000
Unamortized bond premium	134,000	7,960,645	60,651	8,033,994	-
Total bonds	<u>12,724,000</u>	<u>54,010,645</u>	<u>2,280,651</u>	<u>64,453,994</u>	<u>2,555,000</u>
<b>Notes from direct borrowings and direct placements</b>					
Notes payable	1,112,682	-	937,509	175,173	127,035
<b>Other liabilities</b>					
Compensated absences	<u>460,892</u>	<u>148,318</u>	<u>113,375</u>	<u>495,835</u>	<u>131,000</u>
<b>Total</b>	<u>\$ 14,297,574</u>	<u>\$ 54,158,963</u>	<u>\$ 3,331,535</u>	<u>\$ 65,125,002</u>	<u>\$ 2,813,035</u>

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

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 1,499,472 to pay this debt. Future debt and interest will be payable from future tax levies.

The School District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$ 175,173 are collateralized by buildings and equipment owned by the district.

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

2012 Refunding bond with interest at 3.00%, due in annual installments of \$ 1,015,000 to \$ 1,055,000 through May 2022.	\$ 1,015,000
2013 Refunding bond with interest at 2.50% to 3.00%, due in annual installments of \$ 1,025,000 through May 2023.	1,025,000
2013 serial bond with interest at 3.13% to 3.00%, due in annual installments of \$ 415,000 to \$ 1,575,000 through May 2028.	8,945,000
2020 Building and site bond with interest at 3.00%, due in annual installments of \$910,000 to \$3,340,000 through May 2043	<u>45,435,000</u>
<b>Total general obligation bonded debt</b>	<u>\$ 56,420,000</u>

Notes payable at year end consist of the following:

2017 installment purchase agreement with interest at 2.09%, due in annual installments of \$ 96,000 to \$ 105,000 through May 2022, liquidated by future General Fund earnings and secured by buses.	\$ 103,995
2020 installment purchase agreement with interest at 2.95%, due in annual installments of \$ 22,000 to \$ 25,000 through May 2024, liquidated by future General Fund earnings and secured by buses.	<u>71,178</u>
<b>Total general obligation bonded debt</b>	<u>\$ 175,173</u>

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

Year Ending	Bonds		Notes from direct borrowings and direct placements		Total
	Principal	Interest	Principal	Interest	
June 30,					
2022	\$ 2,555,000	\$ 2,131,981	\$ 127,035	\$ 4,274	\$ 4,818,290
2023	2,645,000	2,046,231	23,719	1,420	4,716,370
2024	1,910,000	1,962,456	24,419	720	3,897,595
2025	1,920,000	1,901,056	-	-	3,821,056
2026	2,025,000	1,839,256	-	-	3,864,256
2027-2031	10,045,000	8,292,776	-	-	18,337,776
2032-2036	11,495,000	6,181,000	-	-	17,676,000
2037-2041	14,035,000	3,687,000	-	-	17,722,000
2042-2046	9,790,000	790,400	-	-	10,580,400
Total	\$ 56,420,000	\$ 28,832,156	\$ 175,173	\$ 6,414	\$ 85,433,743

Interest expenditures for fiscal year 2021, in the General Fund and the Debt Retirement Funds were \$ 8,756 and \$ 1,834,601, respectively.

**Compensated Absences**

Accrued compensated absences at year end, consist of \$ 495,835 of vacation hours earned and vested and accrued sick time benefits.

**Deferred Amount on Refunding**

The School District issued bonds in 2004, 2012, and 2013 to advance refund previously issued term bonds. The Advance refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2022.

Deferred amount on debt refunding activity is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	\$ 102,000	\$ -	\$ 51,000	\$ 51,000

**Note 11 - Risk Management**

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

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had no unemployment compensation expense for the year. No provision has been made for possible future claims.

**Note 12 - Pension Plan**

**Plan Description**

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

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

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coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and

retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	13.39 - 19.41%
Member Investment Plan	3.0 - 7.0%	13.39 - 19.41%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$ 8,802,490 for the year ending September 30, 2020.

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

At June 30, 2021, School District reported a liability of \$ 110,029,399 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September

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2019. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was .3203 percent, which was a decrease of .0032 percent from its proportion measured as of September 30, 2019.

For the plan year ending September 30, 2020 the School District recognized pension expense of \$ 16,593,009 for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total pension contribution expense of \$ 9,551,352.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 1,681,159	\$ (234,842)	\$ 1,446,317
Changes of assumptions	12,192,318	-	12,192,318
Net difference between projected and actual earnings on pension plan investments	462,294	-	462,294
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>307,677</u>	<u>(1,839,077)</u>	<u>(1,531,400)</u>
Total to be recognized in future	14,643,448	(2,073,919)	12,569,529
School District contributions subsequent to the measurement date	<u>8,761,993</u>	<u>(4,140,982)</u>	<u>4,621,011</u>
Total	<u>\$ 23,405,441</u>	<u>\$ (6,214,901)</u>	<u>\$ 17,190,540</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The District will offset the contribution expense in the year ended June 30, 2022 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2021	\$ 6,050,708
2022	3,877,980
2023	1,996,347
2024	<u>644,494</u>
	<u>\$ 12,569,529</u>

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions*

- Valuation Date: September 30, 2019
- Actuarial Cost Method: Entry Age, Normal

**Davison Community Schools**  
**Notes to the Financial Statements**  
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- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.80% net of investment expenses
  - Pension Plus Plan: 6.80% net of investment expenses
  - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4892

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.6 %
Alternative Investment Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	(0.1)
	<u>100.0%</u>	

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

**Rate of Return**

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Davison Community Schools**  
**Notes to the Financial Statements**  
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**Discount Rate**

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, Hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

<b>1% Decrease *</b>	<b>Current Single Discount Rate Assumption *</b>	<b>1% Increase *</b>
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
<u>\$ 142,414,392</u>	<u>\$ 110,029,399</u>	<u>\$ 83,189,458</u>

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

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

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

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

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

**Note 13 - Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description**

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State

**Davison Community Schools**  
**Notes to the Financial Statements**  
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Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

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

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

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

**Contributions**

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

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**Notes to the Financial Statements**  
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The schedule below summarizes OPEB contribution rates in effect for fiscal year 2020.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$ 2,258,284 for the year ended September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$17,123,575 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net OPEB liability was determined by dividing each employer statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was .3196 percent, which was a decrease of .0005 percent from its proportion measured as of September 30, 2019.

For the plan year ending September 30, 2020, the School District recognized OPEB expense of \$ (665,776) for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total OPEB contribution expense of \$ 2,350,357.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (12,758,664)	\$ (12,758,664)
Changes of assumptions	5,645,983	-	5,645,983
Net difference between projected and actual earnings on OPEB plan investments	142,915	-	142,915
Changes in proportion and differences between the School District contributions and proportionate share of contributions	28,258	(673,511)	(645,253)
Total to be recognized in future	5,817,156	(13,432,175)	(7,615,019)
School District contributions subsequent to the measurement date	2,008,730	-	2,008,730
Total	\$ 7,825,886	\$ (13,432,175)	\$ (5,606,289)

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2021	\$ (2,085,012)
2022	(1,885,648)
2023	(1,551,004)
2024	(1,197,731)
2025	(895,624)
	\$ (7,615,019)

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2019
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%

- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 12
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006

*Other Assumptions:*

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018 years.

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.6 %
Alternative Investment Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	(0.1)
	<u>100.0%</u>	

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

**Rate of Return**

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 6.95% 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
<u>\$ 21,997,178</u>	<u>\$ 17,123,575</u>	<u>\$ 13,020,410</u>

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the School District’s proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District’s proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 12,863,307	\$ 17,123,575	\$ 21,969,104

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued MPSERS Comprehensive Annual Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

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

**Note 14 - Tax Abatements**

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City of Davison, Davison Township, and Richfield Township. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities;

For the fiscal year ended June 30, 2021, the School District’s property tax revenues were reduced by \$ 54,916 under this program.

There are no significant abatements made by the School District.

**Note 15 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2021.

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

## REQUIRED SUPPLEMENTARY INFORMATION

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**Davison Community Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
<b>Revenues</b>				
Local sources	\$ 5,470,517	\$ 5,333,541	\$ 4,844,434	\$ (489,107)
State sources	46,254,103	52,233,532	51,710,379	(523,153)
Federal sources	1,985,568	5,927,646	5,755,020	(172,626)
Interdistrict sources	716,674	744,908	820,183	75,275
Total revenues	<u>54,426,862</u>	<u>64,239,627</u>	<u>63,130,016</u>	<u>(1,109,611)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	27,344,790	30,246,369	29,236,128	(1,010,241)
Added needs	6,641,975	7,075,023	6,443,658	(631,365)
Supporting services				
Pupil	4,201,236	4,495,856	3,937,324	(558,532)
Instructional staff	2,744,967	3,077,566	2,772,776	(304,790)
General administration	578,125	589,293	499,399	(89,894)
School administration	3,659,765	3,822,517	3,737,681	(84,836)
Business	1,032,143	1,097,437	998,095	(99,342)
Operations and maintenance	5,086,715	6,341,867	5,957,810	(384,057)
Pupil transportation services	2,562,655	2,633,172	2,427,168	(206,004)
Central	1,592,948	1,810,381	1,672,630	(137,751)
Athletics activities	1,105,799	1,139,108	1,002,598	(136,510)
Other	17,708	46,932	24,415	(22,517)
Community services	501,907	603,859	486,061	(117,798)
Capital outlay	6,000	281,175	177,630	(103,545)
Debt service				
Principal	219,783	219,787	219,787	-
Interest and fiscal charges	8,821	8,817	8,756	(61)
Total expenditures	<u>57,305,337</u>	<u>63,489,159</u>	<u>59,601,916</u>	<u>(3,887,243)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,878,475)</u>	<u>750,468</u>	<u>3,528,100</u>	<u>(2,777,632)</u>

**Davison Community Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 168,845	\$ 175,131	\$ 172,078	\$ (3,053)
Transfers out	<u>(203,046)</u>	<u>(211,291)</u>	<u>(201,564)</u>	<u>(9,727)</u>
Total other financing sources (uses)	<u>(34,201)</u>	<u>(36,160)</u>	<u>(29,486)</u>	<u>(12,780)</u>
Net change in fund balance	(2,912,676)	714,308	3,498,614	(2,764,852)
Fund balance - beginning	<u>8,064,980</u>	<u>8,064,980</u>	<u>8,064,980</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,152,304</u>	<u>\$ 8,779,288</u>	<u>\$ 11,563,594</u>	<u>\$ (2,764,852)</u>

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. School district's proportion of the net pension liability (%)	0.3203%	0.3235%	0.3301%	0.3320%	0.3208%	0.3014%	0.3066%			
B. School district's proportionate share of the net pension liability	\$ 110,029,399	\$ 107,123,441	\$ 99,233,292	\$ 86,030,799	\$ 80,028,532	\$ 73,619,158	\$ 67,537,045			
C. School district's covered payroll	\$ 28,225,369	\$ 27,914,647	\$ 27,891,830	\$ 27,882,562	\$ 26,494,402	\$ 26,513,627	\$ 26,654,395			
D. School district's proportionate share of the net pension liability as a percentage of its covered payroll	389.82%	383.75%	355.78%	308.55%	302.06%	277.67%	253.38%			
E. Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%			

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2020.

Changes in benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2020.

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

	For the Years Ended June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. Statutorily required contributions	\$ 9,551,352	\$ 8,826,595	\$ 8,689,348	\$ 8,406,440	\$ 7,202,970	\$ 5,814,565	\$ 4,761,948			
B. Contributions in relation to statutorily required contributions	<u>9,551,352</u>	<u>8,826,595</u>	<u>8,689,348</u>	<u>8,406,440</u>	<u>7,202,970</u>	<u>5,814,565</u>	<u>4,761,948</u>			
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
D. School district's covered payroll	\$ 28,387,148	\$ 28,540,025	\$ 28,043,830	\$ 27,806,516	\$ 27,677,187	\$ 25,184,365	\$ 26,534,971			
E. Contributions as a percentage of covered payroll	33.65%	30.93%	30.98%	30.23%	26.02%	23.09%	17.95%			

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. School district's proportion of the net OPEB liability (%)	0.3196%	0.3201%	0.3280%	0.3320%						
B. School district's proportionate share of the net OPEB liability	\$ 17,123,575	\$ 22,975,197	\$ 26,072,075	\$ 29,382,651						
C. School district's covered payroll	\$ 28,225,369	\$ 27,914,647	\$ 27,891,830	\$ 27,882,582						
D. School district's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.67%	82.31%	93.48%	105.38%						
E. Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%						

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2020.

Changes in benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2020.

**Davison Community Schools**  
**Required Supplementary Information**  
**Schedule of the School Districts' OPEB Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. Statutorily required contributions	\$ 2,350,357	\$ 2,278,015	\$ 2,144,400	\$ 1,844,453						
B. Contributions in relation to statutorily required contributions	<u>2,350,357</u>	<u>2,278,015</u>	<u>2,144,400</u>	<u>1,844,453</u>						
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
D. School district's covered payroll	\$ 28,387,148	\$ 28,540,025	\$ 28,043,830	\$ 27,806,516						
E. Contributions as a percentage of covered payroll	8.28%	7.98%	7.65%	6.63%						

## OTHER SUPPLEMENTARY INFORMATION

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**Davison Community Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2021**

	Special Revenue Funds			Debt Service Funds	Sinking Fund	Total Nonmajor Governmental Funds
	Food Service	Student Activity	DCER			
<b>Assets</b>						
Cash	\$ 471,346	\$ 604,904	\$ 171,658	\$ 1,499,406	\$ 380,891	\$ 3,128,205
Accounts receivable	31,462	3,290	2,878	-	-	37,630
Due from other funds	-	-	-	66	1,418	1,484
Due from other governmental units	178,900	-	-	-	-	178,900
Inventory	35,885	-	-	-	-	35,885
Prepaid items	100,000	-	589	-	-	100,589
Total assets	<u>\$ 817,593</u>	<u>\$ 608,194</u>	<u>\$ 175,125</u>	<u>\$ 1,499,472</u>	<u>\$ 382,309</u>	<u>\$ 3,482,693</u>

**Davison Community Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2021**

	Special Revenue Funds			Debt Service Funds	Sinking Fund	Total Nonmajor Governmental Funds
	Food Service	Student Activity	DCER			
<b>Liabilities</b>						
Accounts payable	\$ 161,925	\$ 21,405	\$ 837	\$ -	\$ -	\$ 184,167
Due to other funds	-	-	-	-	66	66
Unearned revenue	81,729	-	-	-	-	81,729
Total liabilities	<u>243,654</u>	<u>22,905</u>	<u>837</u>	<u>-</u>	<u>66</u>	<u>267,462</u>
<b>Fund Balances</b>						
Non-spendable						
Inventory	35,885	-	-	-	-	35,885
Prepaid items	100,000	-	589	-	-	100,589
Restricted for						
Food service	438,054	-	-	-	-	438,054
Debt service	-	-	-	1,499,472	-	1,499,472
Capital projects	-	-	-	-	382,243	382,243
Committed						
Student activity	-	585,289	-	-	-	585,289
Assigned						
Community enrichment and recreation	-	-	173,699	-	-	173,699
Total fund balances	<u>573,939</u>	<u>585,289</u>	<u>174,288</u>	<u>1,499,472</u>	<u>382,243</u>	<u>3,215,231</u>
Total liabilities and fund balances	<u>\$ 817,593</u>	<u>\$ 608,194</u>	<u>\$ 175,125</u>	<u>\$ 1,499,472</u>	<u>\$ 382,309</u>	<u>\$ 3,482,693</u>

**Davison Community Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

	Special Revenue Funds			Debt	Sinking Fund	Total Nonmajor Governmental Funds
	Food Service	Student Activity	DCER	Retirement Funds		
<b>Revenues</b>						
Local sources	\$ 17,072	\$ 469,238	\$ 343,295	\$ 4,646,749	\$ 1,248,831	\$ 6,725,185
State sources	87,362	-	-	3,249	3,811	94,422
Federal sources	2,226,484	-	-	-	-	2,226,484
 Total revenues	 <u>2,330,918</u>	 <u>469,238</u>	 <u>343,295</u>	 <u>4,649,998</u>	 <u>1,252,642</u>	 <u>9,046,091</u>
<b>Expenditures</b>						
Current						
Education						
Supporting services	-	398,699	-	-	-	398,699
Food services	2,182,135	-	-	-	-	2,182,135
Community services	-	-	311,157	-	-	311,157
Capital outlay	-	-	-	-	142,508	142,508
Debt service						
Principal	-	-	-	2,220,000	717,722	2,937,722
Interest and other expenditures	-	-	-	1,834,601	19,429	1,854,030
Total expenditures	<u>2,182,135</u>	<u>398,699</u>	<u>311,157</u>	<u>4,054,601</u>	<u>879,659</u>	<u>7,826,251</u>
Excess (deficiency) of revenues over expenditures	<u>148,783</u>	<u>70,539</u>	<u>32,138</u>	<u>595,397</u>	<u>372,983</u>	<u>1,219,840</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	77,779	-	59,707	543,397	-	680,883
Transfers out	(108,000)	-	-	-	-	(108,000)
Total other financing sources (uses)	<u>(30,221)</u>	<u>-</u>	<u>59,707</u>	<u>543,397</u>	<u>-</u>	<u>572,883</u>
Net change in fund balances	118,562	70,539	91,845	1,138,794	372,983	1,792,723
Fund balances - beginning	455,377	514,750	82,443	360,678	9,260	1,422,508
Fund balances - ending	<u>\$ 573,939</u>	<u>\$ 585,289</u>	<u>\$ 174,288</u>	<u>\$ 1,499,472</u>	<u>\$ 382,243</u>	<u>\$ 3,215,231</u>

**Davison Community Schools**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule - 2020 School Building and Site Bond, Series I**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 909,696	\$ 909,696	\$ (104,198)	\$ (1,013,894)
<b>Expenditures</b>				
Capital outlay	39,734,145	39,734,145	8,841,125	(30,893,020)
Bond issuance costs	1,822,317	1,822,317	336,909	(1,485,408)
Total expenditures	41,556,462	41,556,462	9,178,034	(32,378,428)
Excess (deficiency) of revenues over expenditures	(40,646,766)	(40,646,766)	(9,282,232)	31,364,534
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of bonds	54,010,645	54,010,645	46,050,000	(7,960,645)
Proceeds from notes and loans	-	-	7,960,645	7,960,645
Transfers out	(543,397)	(543,397)	(543,397)	-
Total other financing sources (uses)	53,467,248	53,467,248	53,467,248	-
Net change in fund balance	12,820,482	12,820,482	44,185,016	31,364,534
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ 12,820,482	\$ 12,820,482	\$ 44,185,016	\$ 31,364,534

**Davison Community Schools**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2021**

Year Ending June 30,	2012 Refunding Bonds	2013 Refunding Bonds	2013 Central Bond	2020 Building and Site Bond, Series I	Total
2022	\$ 1,015,000	\$ -	\$ 630,000	\$ 910,000	\$ 2,555,000
2023	-	1,025,000	665,000	955,000	2,645,000
2024	-	-	1,500,000	410,000	1,910,000
2025	-	-	1,500,000	420,000	1,920,000
2026	-	-	1,525,000	500,000	2,025,000
2027	-	-	1,550,000	500,000	2,050,000
2028	-	-	1,575,000	550,000	2,125,000
2029	-	-	-	1,880,000	1,880,000
2030	-	-	-	1,955,000	1,955,000
2031	-	-	-	2,035,000	2,035,000
2032	-	-	-	2,120,000	2,120,000
2033	-	-	-	2,205,000	2,205,000
2034	-	-	-	2,295,000	2,295,000
2035	-	-	-	2,390,000	2,390,000
2036	-	-	-	2,485,000	2,485,000
2037	-	-	-	2,585,000	2,585,000
2038	-	-	-	2,695,000	2,695,000
2039	-	-	-	2,805,000	2,805,000
2040	-	-	-	2,915,000	2,915,000
2041	-	-	-	3,035,000	3,035,000
2042	-	-	-	3,160,000	3,160,000
2043	-	-	-	3,290,000	3,290,000
2044	-	-	-	3,340,000	3,340,000
<b>Total</b>	<b>\$ 1,015,000</b>	<b>\$ 1,025,000</b>	<b>\$ 8,945,000</b>	<b>\$ 45,435,000</b>	<b>\$ 56,420,000</b>
Principal payments due the first day of	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	
Interest rate	3.00%	3.00%	3.00% - 3.13%	3.00%	
Original issue	<u>\$ 6,515,000</u>	<u>\$ 1,610,000</u>	<u>\$ 11,835,000</u>	<u>\$ 46,050,000</u>	



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September 3, 2021

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

We have completed our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Davison Community Schools as of and for the year ended June 30, 2021, and have issued our report dated September 3, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 26, 2021. Professional standards also require that we communicate to you the following information related to our audit.

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

### **Significant Audit Matters**

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

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

### **Accounting Standards**

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

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

### **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 that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no known misstatements detected as a result of audit procedures that were more than trivial.

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

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no such disagreements with management during the audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of 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 School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

## Report on Required Supplementary Information

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

## Report on Other Supplementary Information

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

## Restriction on Use

This information is intended solely for the information and use of management, the Board of Education, and others within the School District, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Flint, Michigan

**Davison Community Schools**

**Single Audit Report**

**June 30, 2021**



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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

### **Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Davison Community Schools' as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Davison Community Schools' basic financial statements, and have issued our report thereon dated September 3, 2021.

#### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Flint, Michigan  
September 3, 2021



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## **Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

### **Independent Auditors' Report**

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

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

We have audited Davison Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Davison Community Schools' major federal programs for the year ended June 30, 2021. Davison Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Davison Community Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davison Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Davison Community Schools' compliance.

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

In our opinion, Davison Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of Davison Community Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Davison Community Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davison Community Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Davison Community Schools' basic financial statements. We issued our report thereon dated September 3, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Flint, Michigan  
September 3, 2021

**Davison Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Award Grant/ Entitlement Program Amount	Accrued (Unearned) Revenue at July 1, 2020	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2021
<b>U.S. Department of Agriculture</b>							
Child Nutrition Cluster							
Passed through Michigan Department of Education							
Non-Cash Assistance (Commodities)							
National School Lunch Program							
20-21 Entitlements	10.555	\$ 17,403	\$ -	\$ -	\$ 170,403	\$ 170,403	\$ -
20-21 Bonus	10.555	1,133	-	-	1,133	1,133	-
Total Non-Cash Assistance			<u>-</u>	<u>-</u>	<u>171,536</u>	<u>171,536</u>	<u>-</u>
Cash Assistance							
Summer Food Service Program for Children							
210904	10.559	1,864,814	-	-	1,701,805	1,864,814	163,009
200900	10.559	190,134	-	-	190,134	190,134	-
200902	10.559	792,869	214,024	792,869	214,024	-	-
Total Summer Food Service Program for Children			<u>214,024</u>	<u>792,869</u>	<u>2,105,963</u>	<u>2,054,948</u>	<u>163,009</u>
Total Cash Assistance			<u>214,024</u>	<u>792,869</u>	<u>2,105,963</u>	<u>2,054,948</u>	<u>163,009</u>
Total Nutrition Cluster			<u>214,024</u>	<u>792,869</u>	<u>2,277,499</u>	<u>2,226,484</u>	<u>163,009</u>
Total U.S. Department of Agriculture			<u>214,024</u>	<u>792,869</u>	<u>2,277,499</u>	<u>2,226,484</u>	<u>163,009</u>
<b>U.S. Department of Treasury</b>							
Coronavirus Relief Fund (CRF) Grants							
Passed through Michigan Department of Education							
COVID19 - CRF 103(2) District COVID Funds	21.019	70,761	-	-	70,761	70,761	-
COVID19 - CRF 11p Coronavirus Relief Funds	21.019	2,010,278	-	-	2,010,278	2,010,278	-
Passed through Michigan Department of Education							
COVID19 - CRF MAISA / Mi Connect	21.019	84,366	-	-	84,366	84,366	-
Total Coronavirus Relief Fund (CRF) Grants			<u>-</u>	<u>-</u>	<u>2,165,405</u>	<u>2,165,405</u>	<u>-</u>
<b>U.S. Department of Education</b>							
Special Education Cluster							
Passed through Genesee Intermediate School District							
Special Education Grants to States							
190450B	84.027	5,121	1,464	5,121	1,464	-	-
200450A	84.027	1,113,325	461,248	1,088,269	486,304	28,589	3,533
210450	84.027	1,167,021	-	-	740,627	1,123,817	383,190
Total Special Education Grants to States			<u>462,712</u>	<u>1,093,390</u>	<u>1,228,395</u>	<u>1,152,406</u>	<u>386,723</u>
Special Education Preschool Grants							
200460	84.173	44,659	18,423	44,659	18,423	-	-
210460	84.173	45,769	-	-	35,041	45,769	10,728
Total Special Education Preschool Grants			<u>18,423</u>	<u>44,659</u>	<u>53,464</u>	<u>45,769</u>	<u>10,728</u>
Total Special Education Cluster			<u>481,135</u>	<u>1,138,049</u>	<u>1,281,859</u>	<u>1,198,175</u>	<u>397,451</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Davison Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Award Grant/ Entitlement Program Amount	Accrued (Unearned) Revenue at July 1, 2020	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2021
U.S. Department of Education							
Passed through Michigan Department of Education							
Title I Part A - Grants to Local Educational Agencies							
201530	84.010	\$ 599,763	\$ 171,497	\$ 590,421	\$ 171,497	\$ -	\$ -
211530	84.010	642,965	-	-	517,476	642,965	125,489
Total Title I Part A - Grants to Local Educational Agencies			<u>171,497</u>	<u>590,421</u>	<u>688,973</u>	<u>642,965</u>	<u>125,489</u>
Passed through Genesee Intermediate School District							
Career and Technical Education - Basic Grants to States (Perkins)							
203520	84.048	77,447	15,703	74,569	15,703	-	-
213520	84.048	69,678	-	-	46,281	69,945	23,664
Total Career and Technical Education - Basic Grants to States n (Perkins)			<u>15,703</u>	<u>74,569</u>	<u>61,984</u>	<u>69,945</u>	<u>23,664</u>
Passed through Michigan Department of Education							
Title III Part A - English Language Acquisition State Grants							
210570	84.365	1,185	-	-	-	320	320
Passed through Michigan Department of Education							
Title II Part A - Supporting Effective Instruction State Grants							
200520	84.367	125,945	266	125,945	266	-	-
210520	84.367	141,882	-	-	113,551	141,882	28,331
Total Title II Part A - Supporting Effective Instruction State Grants			<u>266</u>	<u>125,945</u>	<u>113,817</u>	<u>141,882</u>	<u>28,331</u>
Passed through Michigan Department of Education							
Title IV - Student Support and Academic Enrichment Program							
200750	84.424A	44,107	14,914	44,107	14,914	-	-
210750	84.424A	41,629	-	-	33,226	41,629	8,403
Total Title IV - Student Support and Academic Enrichment Program			<u>14,914</u>	<u>44,107</u>	<u>48,140</u>	<u>41,629</u>	<u>8,403</u>
Passed through Michigan Department of Education							
Education Stabilization Fund							
203710 COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Formula	84.425D	470,208	-	-	468,511	468,760	249
213712 COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Formula II	84.425D	949,380	-	-	-	928,221	928,221
203720 COVID-19 - ESSER Education Equity	84.425D	70,531	-	-	68,657	70,531	1,874
Total Education Stabilization Fund			<u>-</u>	<u>-</u>	<u>537,168</u>	<u>1,467,512</u>	<u>930,344</u>
Total U.S. Department of Education			<u>683,515</u>	<u>1,973,091</u>	<u>2,731,941</u>	<u>3,562,428</u>	<u>1,514,002</u>
U.S. Department of Health and Human Services							
Medicaid Cluster							
Passed through Genesee Intermediate School District							
Medical Assistance Program							
20-21	93.778	5,059	-	-	5,059	5,059	-
U.S. Department of Homeland Security							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)							
19-20	97.036	52,269	52,269	52,269	-	-	52,269
Total Federal Awards			<u>\$ 949,808</u>	<u>\$ 2,818,229</u>	<u>\$ 7,179,904</u>	<u>\$ 7,959,376</u>	<u>\$ 1,729,280</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Davison Community Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2021**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Davison Community Schools under programs of the federal government for the year ended June 30, 2020. 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 Davison Community Schools, it is not intended to and does not present the financial position or changes in fund balances of Davison Community Schools.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Indirect Cost Rate**

Davison Community Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Reconciliation to the Financial Statements**

The total expenditures on the Schedule of Expenditures of Federal Awards are not equal to the federal revenues on the financial statements due to certain federal revenues classified as a beneficiary payment and therefore not included on the schedule.

Federal revenues reported on the financial statements	\$ 7,981,504
Child Care Relief Fund Grants received as beneficiary	<u>(22,128)</u>
 Total reported expenditures for Federal Awards	 <u>\$ 7,959,376</u>

**Note 4 - Subrecipients**

The School District did not transfer any federal funds to subrecipients during the fiscal year.

**Davison Community Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2021**

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**Note 5 - Michigan Department of Education Disclosures**

The federal amounts reported on the *Grant Auditor Report (GAR)* and *Preliminary Schedule of Expenditures of Federal Awards Provided to Subrecipients* of the Genesee Intermediate School District are in agreement with the Schedule of Expenditures of Federal Awards.

The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.

**Davison Community Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

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**Section I - Summary of Auditors' Results**

*Financial Statements*

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes                            X       No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes                            X       None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes                            X       No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes                            X       No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes                            X       None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)? \_\_\_\_\_ Yes                            X       No

**Davison Community Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

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Identification of major programs:

CFDA Numbers  
84.425D  
21.019

Name of Federal Program  
Education Stabilization Fund  
Coronavirus Relief Fund

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

\$ 750,000

Auditee qualified as low-risk auditee:

    X     Yes                                 No

**Section II – Government Auditing Standards Findings**

No matters were noted.

**Section III - Federal Award Findings**

No matters were noted.

**Davison Community Schools**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2021**

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**Section IV – Prior Audit Findings**

There were no audit findings for the year ended June 30, 2020.