

**Davison Community Schools**

**Financial Statements**

**June 30, 2022**



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**Davison Community Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2022**

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**Members of the Board of Education**

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Mr. Granger Stefanko	Vice President
Ms. Diane Rhines	Secretary
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Mr. Nicholas Goyette	Trustee
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**Administration**

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



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## Independent Auditors' Report

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

### Report on the Audit of the Financial Statements

#### Opinions

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

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

#### Basis for Opinions

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

#### Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the School District adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## Required Supplementary Information

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

## Other Supplementary Information

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2022 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 6, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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## Management Discussion and Analysis For the Year Ended June 30, 2022

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, 2022. 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 \$ (58,763,104) at June 30, 2022 and \$ (70,009,209) at June 30, 2021. 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, 2022 and June 30, 2021:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<b>Assets</b>		
Current assets	\$ 45,801,516	\$ 26,997,790
Investments	10,022,464	39,081,291
Capital assets, net of depreciation and amortization	65,378,358	51,820,238
<b>Deferred Outflows</b>		
Deferred outflows --debt refunding	0	51,000
Deferred outflows --pension expense	16,755,425	23,405,441
Deferred outflows --OPEB expense	<u>6,704,581</u>	<u>7,825,886</u>
<b>Total assets and outflows of resources</b>	<b><u>\$ 144,662,344</u></b>	<b><u>\$ 149,181,646</u></b>
<b>Liabilities</b>		
Current liabilities	\$ 7,865,073	\$ 7,265,803
Long-term liabilities --pension liability	76,631,825	110,029,399
Long-term liabilities --OPEB liability	5,001,353	17,123,575
Long-term liabilities	<u>63,370,017</u>	<u>65,125,002</u>
Total liabilities	<u>152,868,268</u>	<u>199,543,779</u>
<b>Deferred Inflows</b>		
Deferred net pension liability	\$ 31,410,831	\$ 6,214,901
Deferred net OPEB liability	<u>19,146,349</u>	<u>13,432,175</u>
Total deferred inflows	<u>50,557,180</u>	<u>19,647,076</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	32,357,373	31,427,087
Restricted for debt service	1,432,361	1,296,640
Restricted for capital projects	1,478,458	382,243
Unrestricted	<u>(94,031,296)</u>	<u>(103,115,179)</u>
Total net position	<u>(58,763,104)</u>	<u>(70,009,209)</u>
<b>Total liabilities and Net Position</b>	<b><u>\$ 144,662,344</u></b>	<b><u>\$ 149,181,646</u></b>

## **Analysis of Financial Position**

During the fiscal year ended June 30, 2022, the School District's Net Position increased by \$11,246,105. 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 \$ 1,250,292 for the fiscal year ended June 30, 2022. 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, 2022, the net increase in accumulated depreciation was \$ 2,506,872

### **C. Capital Acquisitions**

Capital outlay for the year ended June 30, 2022 totaled \$ 15,762,583. Capital outlay was offset by current year depreciation expense of \$ 2,506,87 creating a Net Position increase from capital outlay of \$ 13,255,711.

### **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, 2022 the pension liability was \$76,631,825.

### **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, 2022 the pension liability was \$5,001,353.

**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, in 2021 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 \$ 100,922 for the year ended June 30, 2022. 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, 2022 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 \$ 2,961,940 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, 2022 are reported in the Statement of Activities. A summary of the district-wide results of operations for the years ended June 30, 2022 and June 30, 2021 are as follows:

<b>Revenue</b>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
General revenue:		
Property taxes, levied for general purposes	\$ 4,562,424	\$ 4,397,596
Property taxes, levied for debt service	4,811,740	4,649,998
Property taxes, levied for sinking fund	1,283,306	1,248,800
State aid, unrestricted	43,351,976	41,246,511
Interest and investment earnings	(26,511)	(101,808)
Other	<u>98,026</u>	<u>254,887</u>
Total general revenue	<u>54,080,961</u>	<u>51,695,984</u>
Program revenue:		
Charges for services	1,130,924	608,630
Operating grants and contributions	<u>22,649,180</u>	<u>19,767,295</u>
Total revenue	<u>77,861,065</u>	<u>72,071,909</u>
<b>Expenses</b>		
Instruction	36,684,380	39,758,312
Supporting services	23,988,749	26,064,912
Food services	2,833,659	2,423,668
Community services	976,248	885,459
Interest on long-term debt	<u>2,131,924</u>	<u>2,327,204</u>
Total expenses	<u>66,614,960</u>	<u>71,459,555</u>
Change in Net Position	11,246,105	612,354
Net Position – beginning	<u>(70,009,209)</u>	<u>(70,621,563)</u>
Net Position – ending	<u>\$ (58,763,104)</u>	<u>\$ (70,009,209)</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, 2022. The General Fund experienced an increase in fund equity of \$ 1,250,292 or 10.8% during the year ended June 30, 2022. Ending fund equity in the General Fund is \$ 12,813,886 at June 30, 2022, which equates to 19.61% 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 \$ 2,259,970 during the year ended June 30, 2022. The fund balance of the School District’s Special Revenue Funds (Cafeteria, Student Activity and Community Enrichment & Recreation) increased \$ 1,039,893 over the prior year, resulting in ending fund equity of \$ 2,373,409 or 55.2% of expenditures and other financing uses for the year ended June 30, 2022. The Special Revenue Cafeteria Fund balance is higher than usual due to the Seamless Summer Option 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 \$ 123,862 during the year ended June 30, 2022, to end fund equity of \$ 1,623,334. The Capital Projects Sinking Fund experienced an increase in fund equity of \$ 1,096,215 during the year ended June 30, 2022, resulting in ending fund equity of \$ 1,478,458.

## **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, 2022, 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 \$ 66 million. This is higher than the original budget estimate of \$ 59 million and below the final amended budgeted amount of \$ 68 million, a variance of \$ 1,628,285 or 2.39%. 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 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 \$ 65 million. This is above the original budget estimate of \$ 63 million and below the final amended budgeted amount of \$ 67 million, a variance of \$ 2,403,224 or 3.5%. 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.

The General Fund revenues exceed expenditures by \$ 1,250,292 during the year ended June 30, 2022, which resulted in a 10.8% increase in fund equity. The ending fund equity in the General Fund was \$ 12,813,886 at June 30, 2022, which equates to 19.61% of expenditures for the year.

## Governmental Fund Revenue

Revenue and other financing sources for all governmental funds were \$ 78.1 million for the year ended June 30, 2022. Of the total revenues and other sources, \$ 12.8 million or 16.4% were generated from local sources, \$ 55.1 million or 70.5% were generated from state sources, \$ 9.1 million or 11.7% were generated from federal sources, \$ 1.1 million or 1.4% 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, blended at 90% of the current year's fall student count and 10% of the previous year's winter student count; and (3) the School District's operating property tax levy on non-primary residence and commercial personal property.

Annually, the State of Michigan establishes the per student foundation allowance. For the year ended June 30, 2022, the foundation allowance for Davison Community Schools was established at \$ 8,700. This is an increase of \$589 per student from the 2020/2021 school year.

The School District's blended student enrollment count used to calculate state aid for the year ended June 30, 2022, was 5,649 students. This is a decrease of 70 full-time equated students from the year ended June 30, 2021. 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, 2022, and the previous five years:

#### Student Enrollment and Foundation Allowance History 2018 to 2022

<u>Year</u>	<u>Student Enrollment</u>	<u>Change from Prior Year</u>	<u>Net Foundation Allowance</u>	<u>Change from Prior Year</u>
2021/2022	5,649	(70)	\$ 8,700	589
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

**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, 2022, and property tax revenue was \$ 4.6 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 \$ 4.81 million for the year ended June 30, 2022.

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 1.3673 mills for the sinking fund during the year ended June 30, 2022, and property tax revenue was \$ 1.28 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, 2022, expenditures and other financing uses totaled \$89.9 million for all School District programs. The ending fund equity for all funds totaled \$47.1 million at June 30, 2022.

**Governmental Fund Expenditures & Other Uses  
For the Years Ended June 30, 2022 and 2021  
(Amounts in Millions)**

	<u>2022</u>	<u>2022</u> <u>Percent</u>	<u>2021</u>	<u>2021</u> <u>Percent</u>
General Fund	\$ 65.3	72.6%	\$ 59.8	77.2%
Other Governmental Funds	<u>24.6</u>	<u>27.4%</u>	<u>17.7</u>	<u>22.8%</u>
Total	<u>\$ 89.9</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, 2022, the School District had \$ 103.4 million invested in land and buildings, furniture and equipment, buses and other vehicles, and construction in progress. Of this amount, \$ 37.1 million has been depreciated, which resulted in a net book value of \$ 66.3 million. Total additions for the year were \$ 15,762,583 consisting of construction in progress as of June 30, 2022, 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, 2022 and 2021.

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

	June 30, 2022	June 30, 2021
Land, buildings, and additions	\$ 65.1	\$ 64.9
Equipment and furniture	10.7	9.4
School buses and other vehicles	2.8	2.9
Construction in progress	<u>24.8</u>	<u>9.3</u>
Total	103.5	86.5
Less accumulated depreciation	<u>(37.1)</u>	<u>(34.7)</u>
Net capital assets	\$ 66.3	\$ 45.0

**B. Long-Term Debt**

As of June 30, 2022 the School District had \$ 61.8 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, 2022</b>	<b>June 30, 2021</b>
Government obligation bonds	\$ 53.8	\$ 56.4
Unamortized bond premium and issue costs	7.9	8.0
Notes payable	<u>.1</u>	<u>.2</u>
Total outstanding debt	<u>\$ 61.8</u>	<u>\$ 64.6</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, 2022**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 29,710,437
Accounts receivable	196,812
Due from other governmental units	13,943,144
Due from agency fund activities	7,000
Inventory	42,912
Investments	10,022,464
Prepaid items	940,416
Right to use assets - net of amortization	960,795
Capital assets not being depreciated	24,789,697
Capital assets - net of accumulated depreciation	<u>40,588,661</u>
 Total assets	 <u>121,202,338</u>
 <b>Deferred outflows of resources</b>	
Deferred amount relating to the net pension liability	16,755,425
Deferred amount relating to the net OPEB liability	<u>6,704,581</u>
 Total deferred outflows of resources	 <u>23,460,006</u>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Statement of Net Position**  
**June 30, 2022**

	Governmental Activities
<b>Liabilities</b>	
Accounts payable	\$ 1,444,087
State aid anticipation note payable	494,784
Due to other governmental units	933,362
Due to agency fund activities	4,850
Payroll deductions and withholdings	173,479
Accrued expenditures	1,005,025
Accrued salaries payable	2,668,747
Unearned revenue	1,140,739
Long-term liabilities	
Net pension liability	76,631,825
Net OPEB liability	5,001,353
Debt due within one year	3,089,659
Debt due within more than one year	60,280,358
Total liabilities	152,868,268
<b>Deferred inflows of resources</b>	
Deferred amount relating to net pension liability	31,410,831
Deferred amount relating to the net OPEB liability	19,146,349
Total deferred inflows of resources	50,557,180
<b>Net Position</b>	
Net investment in capital assets	32,357,373
Restricted for	
Debt service	1,432,361
Capital projects	1,478,458
Unrestricted	(94,031,296)
Total net position	\$ (58,763,104)

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

	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	\$ 36,684,380	\$ 46,542	\$ 16,499,874	\$ (20,137,964)
Supporting services	23,988,749	123,436	2,115,053	(21,750,260)
Food services	2,833,659	105,792	3,938,858	1,210,991
Community services	976,248	855,154	95,395	(25,699)
Interest and other expenditures	2,131,924	-	-	(2,131,924)
Total governmental activities	\$ 66,614,960	\$ 1,130,924	\$ 22,649,180	(42,834,856)
General revenues				
Property taxes, levied for general purposes				4,562,424
Property taxes, levied for debt service				4,811,740
Property taxes, levied for sinking fund				1,283,306
State aid - unrestricted				43,351,976
Interest and unrealized investment losses				(26,511)
Other				98,026
Total general revenues				54,080,961
Change in net position				11,246,105
Net position - beginning				(70,009,209)
Net position - ending				\$ (58,763,104)

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2022**

	General Fund	2020 Building & Site Bond, Series I Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 4,720,297	\$ 19,849,045	\$ 5,141,095	\$ 29,710,437
Accounts receivable	143,851	-	52,961	196,812
Due from other funds	733	-	3,234	3,967
Due from other governmental units	13,663,350	-	279,794	13,943,144
Due from agency fund activities	7,000	-	-	7,000
Inventory	-	-	42,912	42,912
Investments	-	10,022,464	-	10,022,464
Prepaid items	839,861	-	100,555	940,416
	<u>19,375,092</u>	<u>29,871,509</u>	<u>5,620,551</u>	<u>54,867,152</u>
Total assets	<u>\$ 19,375,092</u>	<u>\$ 29,871,509</u>	<u>\$ 5,620,551</u>	<u>\$ 54,867,152</u>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2022**

	General Fund	2020 Building & Site Bond, Series I Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities</b>				
Accounts payable	\$ 378,033	\$ 1,023,780	\$ 42,274	\$ 1,444,087
State aid anticipation note payable	494,784	-	-	494,784
Due to other funds	3,967	-	-	3,967
Due to other governmental units	933,362	-	-	933,362
Due to agency fund activities	3,350	-	1,500	4,850
Payroll deductions and withholdings	173,479	-	-	173,479
Accrued expenditures	814,052	-	-	814,052
Accrued salaries payable	2,668,747	-	-	2,668,747
Unearned revenue	1,039,163	-	101,576	1,140,739
Total liabilities	<u>6,508,937</u>	<u>1,023,780</u>	<u>145,350</u>	<u>7,678,067</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	-	-	42,912	42,912
Prepaid items	839,861	-	100,555	940,416
Restricted for				
Debt service	-	-	1,623,334	1,623,334
Food service	-	-	1,409,828	1,409,828
Capital projects	-	28,847,729	1,478,458	30,326,187
Committed				
Student activity	-	-	592,726	592,726
Assigned				
Community enrichment & recreation	-	-	227,388	227,388
Budgeted excess expenditures over revenues	421,421	-	-	421,421
Unassigned	<u>11,552,604</u>	<u>-</u>	<u>-</u>	<u>11,552,604</u>
Total fund balances	<u>12,813,886</u>	<u>28,847,729</u>	<u>5,475,201</u>	<u>47,136,816</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,375,092</u>	<u>\$ 29,871,509</u>	<u>\$ 5,620,551</u>	<u>\$ 54,867,152</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, 2022**

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<b>Total fund balances for governmental funds</b>	\$	47,136,816
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.		
Right to use assets - net of amortization		960,795
Capital assets not being depreciated		24,789,697
Capital assets - net of accumulated depreciation		40,588,661
Deferred outflows (inflows) of resources		
Deferred outflows of resources resulting from the net pension liability		16,755,425
Deferred outflows of resources resulting from the net OPEB liability		6,704,581
Deferred inflows of resources resulting from the net pension liability		(31,410,831)
Deferred inflows of resources resulting from the net OPEB liability		(19,146,349)
Certain liabilities are not due and payable in the current period and are not reported in the funds.		
Accrued interest		(190,973)
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		(76,631,825)
Net OPEB liability		(5,001,353)
Compensated absences		(540,508)
Bonds payable		(61,798,072)
Other loans payable and liabilities		(1,031,437)
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(58,763,104)</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, 2022**

	General Fund	2020 Building & Site Bond, Series I Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 5,355,613	\$ (22,490)	\$ 7,462,422	\$ 12,795,545
State sources	54,962,333	-	148,047	55,110,380
Federal sources	5,322,108	-	3,806,169	9,128,277
Interdistrict sources	826,863	-	-	826,863
 Total revenues	 <u>66,466,917</u>	 <u>(22,490)</u>	 <u>11,416,638</u>	 <u>77,861,065</u>
<b>Expenditures</b>				
Current				
Education				
Instruction	39,298,245	-	-	39,298,245
Supporting services	24,827,104	-	820,527	25,647,631
Food services	-	-	3,023,426	3,023,426
Community services	585,645	-	455,980	1,041,625
Capital outlay	16,056	15,314,797	190,665	15,521,518
Debt service				
Principal	406,940	-	2,555,000	2,961,940
Interest and other expenditures	60,822	-	2,132,584	2,193,406
Bond issuance costs	-	-	299	299
 Total expenditures	 <u>65,194,812</u>	 <u>15,314,797</u>	 <u>9,178,481</u>	 <u>89,688,090</u>
 Excess (deficiency) of revenues over expenditures	 <u>1,272,105</u>	 <u>(15,337,287)</u>	 <u>2,238,157</u>	 <u>(11,827,025)</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, 2022**

	General Fund	2020 Building & Site Bond, Series I Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 130,000	\$ -	\$ 151,813	\$ 281,813
Transfers out	(151,813)	-	(130,000)	(281,813)
Total other financing sources (uses)	(21,813)	-	21,813	-
Net change in fund balances	1,250,292	(15,337,287)	2,259,970	(11,827,025)
Fund balances - beginning	11,563,594	44,185,016	3,215,231	58,963,841
Fund balances - ending	<u>\$ 12,813,886</u>	<u>\$ 28,847,729</u>	<u>\$ 5,475,201</u>	<u>\$ 47,136,816</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, 2022**

<b>Net change in fund balances - Total governmental funds</b>	<b>\$ (11,827,025)</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 and amortization expense	(2,506,872)
Capital outlay	15,762,583
Expenses are recorded when incurred in the statement of activities.	
Interest	11,859
Compensated absences	(44,673)
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	33,397,574
Net change in the deferred inflow of resources related to the net pension liability	(31,845,946)
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	12,122,222
Net change in the deferred inflow of resources related to the net OPEB liability	(6,835,479)
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.	
Repayments of long-term debt	2,961,940
Amortization of premiums	100,922
Amortization of amount on debt refunding	(51,000)
<b>Change in Net position of governmental activities</b>	<b>\$ 11,246,105</b>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2022**

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	<u>Custodial Scholarship Fund</u>
<b>Assets</b>	
Cash	\$ 18,041
Due from other funds	<u>4,850</u>
 Total assets	 <u>22,891</u>
 <b>Liabilities</b>	
Due to General Fund	<u>7,000</u>
 <b>Net Position</b>	
Assets held for scholarships and loans	<u><u>\$ 15,891</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, 2022**

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	<u>Custodial Scholarship Fund</u>
<b>Additions</b>	
Local sources	\$ <u>3,038</u>
<b>Deductions</b>	
Scholarships	<u>6,000</u>
Change in net position	(2,962)
Net position - beginning	<u>18,853</u>
Net position - ending	<u>\$ 15,891</u>

See Accompanying Notes to the Financial Statements

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

The accounting policies of 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, 2022**

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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, 2022, 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	1.3763

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.

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

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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, 2022**

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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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred 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 MPSERS 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, 2022**

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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. 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.

Statement No. 99, 2022 *Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

**Upcoming Accounting and Reporting Changes**

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 pronouncement will have on its financial reporting.

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

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

<u>Function</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund			
Operations and maintenance	\$6,045,988	\$ 6,141,242	\$ 95,254
Pupil transportation services	2,710,092	2,730,854	20,762
Capital outlay	6,000	16,056	10,056

**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>(25,058,718)</u>
	<u>\$ 28,847,729</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.

**Davison Community Schools**  
**Notes to the Financial Statements**  
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**Note 3 - Deposits and Investments**

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 29,710,437	\$ 18,041	\$ 29,728,478
Investments	10,022,464	-	10,022,464
	\$ 39,732,901	\$ 18,041	\$ 39,750,942

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 9,125,741
Investments in Michigan Liquid Asset Fund (MILAF)	30,624,702
Petty cash and cash on hand	499
<b>Total</b>	<b>\$ 39,750,942</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	\$ 5,481,057	N/A	AAA	Standard and Poor's
MAX Class	15,121,180	N/A	AAA	Standard and Poor's
MILAF Managed Account				
US Treasury Notes	2,130,805	2 - 5 years	AA+	Standard and Poor's
Fannie Mae Notes	3,059,649	3 - 5 years	AA+	Standard and Poor's
Freddie Mac Notes	2,131,973	3 years	AA+	Standard and Poor's
Fannie Mae Agency Notes	2,700,038	5 years	AA+	Standard and Poor's
	\$ 30,624,702			

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

As of June 30, 2022, the net asset value of the School District's investment in MILAF + Portfolio was \$20,602,237. 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.

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.

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.

**Davison Community Schools**  
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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, \$ 10,130,823 of the School District’s bank balance of \$ 10,572,333 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, 2022, the School District has the following recurring fair value measurements:

Amounts invested in MILAF + Portfolio of approximately \$ 20.6 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).

U.S. Treasury and Federal Agency notes of \$ 10 million are valued using quoted market prices (Level 1 inputs).

**Note 5 - Capital Assets**

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

	Restated Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 178,416	\$ -	\$ -	\$ 178,416
Construction-in-progress	9,125,996	15,485,285	-	24,611,281
Total capital assets not being depreciated	<u>9,304,412</u>	<u>15,485,285</u>	<u>-</u>	<u>24,789,697</u>
Capital assets being depreciated				
Buildings and improvements	64,850,980	221,596	-	65,072,576
Buses and other vehicles	2,871,760	35,297	49,754	2,857,303
Furniture and other equipment	9,474,979	20,405	-	9,495,384
Right to use asset - equipment	1,263,204	-	-	1,263,204
Total capital assets being depreciated	<u>78,460,923</u>	<u>277,298</u>	<u>49,754</u>	<u>78,688,467</u>
Less accumulated depreciation for				
Buildings and improvements	27,386,003	1,507,609	-	28,893,612
Buses and other vehicles	1,885,778	235,571	49,754	2,071,595
Furniture and other equipment	5,410,112	461,283	-	5,871,395
Right to use asset - equipment	-	302,409	-	302,409
Total accumulated depreciation	<u>34,681,893</u>	<u>2,506,872</u>	<u>49,754</u>	<u>37,139,011</u>
Net capital assets being depreciated	<u>43,779,030</u>	<u>(2,229,574)</u>	<u>-</u>	<u>41,549,456</u>
Net capital assets	<u>\$ 53,083,442</u>	<u>\$ 13,255,711</u>	<u>\$ -</u>	<u>\$ 66,339,153</u>
Total right to use leased assets				
Right to use assets, net of amortization	\$ 1,263,204	\$ (302,409)	\$ -	\$ 960,795
Capital assets				
Assets not being depreciated	9,304,412	15,485,285	-	24,789,697
Other capital assets, net of depreciation	42,515,826	(1,927,165)	-	40,588,661
Net capital assets	<u>\$ 53,083,442</u>	<u>\$ 13,255,711</u>	<u>\$ -</u>	<u>\$ 66,339,153</u>

**Davison Community Schools**  
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Depreciation and amortization of right to use assets expense were charged to activities of the School District as follows:

<b>Governmental activities</b>	
Instruction	\$ 1,427,537
Support services	931,669
Food services	109,828
Community services	<u>37,838</u>
 Total governmental activities	 <u>\$ 2,506,872</u>

**Note 6 - Interfund Transfers**

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
<b>Transfers in</b>			
General Fund	\$ -	\$ 130,000	\$ 130,000
Nonmajor Governmental Funds	<u>151,813</u>	<u>-</u>	<u>151,813</u>
	<u>\$ 151,813</u>	<u>\$ 130,000</u>	<u>\$ 281,813</u>

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

**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	\$ 1,067,885
Deposit on future meals	<u>72,854</u>
 Total	 <u>\$ 1,140,739</u>

**Note 8 - Leases**

**Lease Liability**

During the 2020 fiscal year, the School District entered into a 5 year lease agreement as lessee for the use of copiers. An initial lease liability was recorded in the amount of \$ 1,263,204 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$ 983,299. The School District is required to make annual principal and interest payments of \$ 336,453. The lease has an implied interest rate of 5%. The value of the right-to-use asset as of the end of the current fiscal year was \$ 1,263,204 and had accumulated amortization of \$ 302,409.

The future minimum lease payments for these leases are as follows:

	Principal	Interest
<b>Year ending June 30,</b>		
2023	\$ 294,221	\$ 42,232
2024	309,278	27,175
2025	324,495	11,358
2026	<u>55,305</u>	<u>301</u>
 Total	 <u>\$ 983,299</u>	 <u>\$ 81,066</u>

**Davison Community Schools**  
**Notes to the Financial Statements**  
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**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	\$ 682,143	\$ 3,460,000	\$ 3,647,359	\$ 494,784

The state aid anticipation note agreement includes an irrevocable set-aside of \$ 2,965,216 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 compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<b>Bonds</b>					
General obligation bonds	\$ 56,420,000	\$ -	\$ 2,555,000	\$ 53,865,000	\$ 2,645,000
Unamortized bond premium	8,033,994	-	100,922	7,933,072	-
Total bonds	64,453,994	-	2,655,922	61,798,072	2,645,000
<b>Notes from direct borrowings and direct placements</b>					
Notes payable	175,173	-	127,035	48,138	23,719
<b>Other liabilities</b>					
Leases	1,263,204	-	279,905	983,299	294,221
Compensated absences	495,835	124,995	80,322	540,508	103,000
Total other liabilities	1,759,039	124,995	360,227	1,523,807	420,940
<b>Total</b>	\$ 66,388,206	\$ 124,995	\$ 3,143,184	\$ 63,370,017	\$ 3,089,659

For governmental activities, notes payable, leases, 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 \$ 1,623,334 to pay this debt. Future debt and interest will be payable from future tax levies.

**Davison Community Schools**  
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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:

2013 Refunding bond with interest at 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 \$ 665,000 to \$ 1,575,000 through May 2028.		8,315,000
2020 Building and site bond with interest at 3.00%, due in annual installments of \$410,000 to \$3,340,000 through May 2043		<u>44,525,000</u>
Total general obligation bonded debt	\$	<u>53,865,000</u>

Notes payable at year end consist of the following:

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>48,138</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	
<b>June 30,</b>					
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	2,050,000	1,773,506	-	-	3,823,506
2028-2032	10,115,000	7,932,070	-	-	18,047,070
2033-2037	11,960,000	5,721,200	-	-	17,681,200
2038-2042	14,610,000	3,125,600	-	-	17,735,600
2043-2044	<u>6,630,000</u>	<u>398,800</u>	<u>-</u>	<u>-</u>	<u>7,028,800</u>
Total	<u>\$ 53,865,000</u>	<u>\$ 26,700,175</u>	<u>\$ 48,138</u>	<u>\$ 2,140</u>	<u>\$ 80,615,453</u>

Interest expenditures for fiscal year 2022, in the General Fund and the Debt Retirement Funds were \$ 60,822 and \$ 2,132,584, respectively.

**Compensated Absences**

Accrued compensated absences at year end, consist of \$ 540,508 of vacation hours earned and vested and accrued sick time benefits.

**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

**Davison Community Schools**  
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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 MPSERS) 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 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, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

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The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2021.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.78%
Member Investment Plan	3.0 - 7.0%	19.78%
Pension Plus	3.0 - 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$ 9,718,792 for the year ending September 30, 2021.

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

At June 30, 2022, School District reported a liability of \$ 76,631,825 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the School District's proportion was .3237 percent, which was an increase of .0034 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021 the School District recognized pension expense of \$ 8,370,683 for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total pension contribution expense of \$ 10,923,773.

At June 30, 2022, 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	\$ 1,187,060	\$ (451,270)	\$ 735,790
Changes of assumptions	4,830,596	-	4,830,596
Net difference between projected and actual earnings on pension plan investments	-	(24,636,885)	(24,636,885)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	781,441	(1,188,671)	(407,230)
Total to be recognized in future	6,799,097	(26,276,826)	(19,477,729)
School District contributions subsequent to the measurement date	9,956,328	(5,134,005)	4,822,323
Total	<u>\$ 16,755,425</u>	<u>\$ (31,410,831)</u>	<u>\$ (14,655,406)</u>

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**Notes to the Financial Statements**  
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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, 2023. The District will offset the contribution expense in the year ended June 30, 2023 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)	
2022	\$ (2,579,565)
2023	(4,483,640)
2024	(5,852,791)
2025	(6,561,733)
	\$ (19,477,729)

**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, 2020
- Actuarial Cost Method: Entry Age, Normal
- 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: RP-2014 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, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: 4.4367

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2021 MPSERS Annual Comprehensive Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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**June 30, 2022**

**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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	( 0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.0% inflation.

**Rate of Return**

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. 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 6.80% 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:

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
<u>\$ 109,562,727</u>	<u>\$ 76,631,825</u>	<u>\$ 49,329,947</u>

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

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive 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 (MPSERS)**

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 MPSERS) 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 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.

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

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, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2020.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$ 2,432,378 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$5,001,353 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the School District's proportion was .3277 percent, which was an increase of .0080 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized OPEB expense of \$ (2,885,134) for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total OPEB contribution expense of \$ 2,401,998.

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (14,276,007)	\$ (14,276,007)
Changes of assumptions	4,180,883	(625,616)	3,555,267
Net difference between projected and actual earnings on OPEB plan investments	-	(3,769,610)	(3,769,610)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	547,470	(475,116)	72,354
Total to be recognized in future	4,728,353	(19,146,349)	(14,417,996)
School District contributions subsequent to the measurement date	1,976,228	-	1,976,228
Total	\$ 6,704,581	\$ (19,146,349)	\$ (12,441,768)

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, 2023. 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)	
2022	\$ (3,858,614)
2023	(3,516,201)
2024	(3,155,948)
2025	(2,848,541)
2026	(918,219)
Therafter	(120,473)
	\$ (14,417,996)

**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, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

- 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: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year15; 3.0% Year 120
- 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: RP-2014 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 Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree’s death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: 6.1312 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Annual Comprehensive 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, 2021, are summarized in the following table:

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

*\*Long-term rates of return are net of administrative expenses and 2.0% inflation.*

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Rate of Return**

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. 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%
\$ 9,293,417	\$ 5,001,353	\$ 1,358,924

**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
\$ 1,217,290	\$ 5,001,353	\$ 9,258,880

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS Annual Comprehensive 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, 2022, the School District's property tax revenues were reduced by \$ 55,074 under this program.

There are no significant abatements made by the School District.

**Davison Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**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, 2022.

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.

**Note 16 - Change in Accounting Principle**

As indicated in Note 1, The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the School District's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The 2021 financial statements include a prior period adjustment for the lease liability. This adjustment had no effect on the beginning net position of the governmental activities since the right of use assets equal the amount of the lease liability. The implementation had the following effect on net position as reported June 30, 2021:

	Governmental Activities
Net position at June 30, 2021	\$ (70,009,209)
Adjustments:	
Net book value - leased asset	1,263,204
Lease liability	(1,263,204)
Restated net position at June 30, 2021	\$ (70,009,209)

## REQUIRED SUPPLEMENTARY INFORMATION

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**Davison Community Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
<b>Revenues</b>				
Local sources	\$ 5,608,345	\$ 5,513,638	\$ 5,355,613	\$ (158,025)
State sources	50,280,197	55,854,588	54,962,333	(892,255)
Federal sources	2,296,343	5,826,414	5,322,108	(504,306)
Interdistrict sources	724,173	900,572	826,863	(73,709)
Total revenues	<u>58,909,058</u>	<u>68,095,212</u>	<u>66,466,917</u>	<u>(1,628,295)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	30,308,728	32,151,370	31,862,764	(288,606)
Added needs	7,071,662	8,054,015	7,435,481	(618,534)
Supporting services				
Pupil	4,716,301	5,105,710	4,482,301	(623,409)
Instructional staff	3,074,389	3,144,236	2,772,776	(371,460)
General administration	611,367	615,169	565,447	(49,722)
School administration	5,436,289	4,384,278	4,380,623	(3,655)
Business	1,032,091	840,644	805,527	(35,117)
Operations and maintenance	4,642,382	6,045,988	6,141,242	95,254
Pupil transportation services	2,664,545	2,710,092	2,730,854	20,762
Central	1,756,793	1,986,520	1,690,285	(296,235)
Athletics activities	1,154,372	1,197,517	1,163,020	(34,497)
Other	85,638	104,635	95,029	(9,606)
Community services	537,742	721,385	585,645	(135,740)
Capital outlay	6,000	6,000	16,056	10,056
Debt service				
Principal	127,062	457,268	406,940	(50,328)
Interest and fiscal charges	4,274	70,984	60,822	(10,162)
Total expenditures	<u>63,229,635</u>	<u>67,595,811</u>	<u>65,194,812</u>	<u>(2,400,999)</u>
Excess (deficiency) of revenues over expenditures	<u>(4,320,577)</u>	<u>499,401</u>	<u>1,272,105</u>	<u>(772,704)</u>

**Davison Community Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 108,000	\$ 130,000	\$ 130,000	\$ -
Transfers out	<u>(150,714)</u>	<u>(154,038)</u>	<u>(151,813)</u>	<u>(2,225)</u>
Total other financing sources (uses)	<u>(42,714)</u>	<u>(24,038)</u>	<u>(21,813)</u>	<u>(2,225)</u>
Net change in fund balance	(4,363,291)	475,363	1,250,292	(774,929)
Fund balance - beginning	<u>11,563,594</u>	<u>11,563,594</u>	<u>11,563,594</u>	<u>-</u>
Fund balance - ending	<u>\$ 7,200,303</u>	<u>\$ 12,038,957</u>	<u>\$ 12,813,886</u>	<u>\$ (774,929)</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)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. School district's proportion of the net pension liability (%)	0.3237%	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	\$ 76,631,825	\$ 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	\$ 29,410,783	\$ 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	260.56%	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	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%		

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2021.

Changes in benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

**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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	\$ 10,923,773	\$ 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>10,923,773</u>	<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>	<u>\$ -</u>		
D. School district's covered payroll	\$ 30,110,911	\$ 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	36.28%	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)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. School district's proportion of the net OPEB liability (%)	0.3277%	0.3196%	0.3201%	0.3280%	0.3320%					
B. School district's proportionate share of the net OPEB liability	\$ 5,001,353	\$ 17,123,575	\$ 22,975,197	\$ 26,072,075	\$ 29,382,651					
C. School district's covered payroll	\$ 29,410,783	\$ 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	17.01%	60.67%	82.31%	93.48%	105.38%					
E. Plan fiduciary net position as a percentage of total OPEB liability	87.33%	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 2021.

Changes in benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

**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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	\$ 2,401,998	\$ 2,350,357	\$ 2,278,015	\$ 2,144,400	\$ 1,844,453					
B. Contributions in relation to statutorily required contributions	<u>2,401,998</u>	<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>	<u>\$ -</u>					
D. School district's covered payroll	\$ 30,110,911	\$ 28,387,148	\$ 28,540,025	\$ 28,043,830	\$ 27,806,516					
E. Contributions as a percentage of covered payroll	7.98%	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, 2022**

	Special Revenue Funds			Debt Service Funds	Sinking Fund	Total Nonmajor Governmental Funds
	Food Service	Student Activity	DCER			
<b>Assets</b>						
Cash	\$ 1,227,198	\$ 598,476	\$ 216,863	\$ 1,620,786	\$ 1,477,772	\$ 5,141,095
Accounts receivable	43,622	2,226	7,113	-	-	52,961
Due from other funds	-	-	-	2,548	686	3,234
Due from other governmental units	273,970	-	5,824	-	-	279,794
Inventory	42,912	-	-	-	-	42,912
Prepaid items	100,000	-	555	-	-	100,555
	<u>1,687,702</u>	<u>600,702</u>	<u>230,355</u>	<u>1,623,334</u>	<u>1,478,458</u>	<u>5,620,551</u>
Total assets	<u>\$ 1,687,702</u>	<u>\$ 600,702</u>	<u>\$ 230,355</u>	<u>\$ 1,623,334</u>	<u>\$ 1,478,458</u>	<u>\$ 5,620,551</u>

**Davison Community Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2022**

	Special Revenue Funds			Debt Service Funds	Sinking Fund	Total Nonmajor Governmental Funds
	Food Service	Student Activity	DCER			
<b>Liabilities</b>						
Accounts payable	\$ 33,386	\$ 6,476	\$ 2,412	\$ -	\$ -	\$ 42,274
Due to agency fund activities	-	1,500	-	-	-	1,500
Unearned revenue	<u>101,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,576</u>
Total liabilities	<u>134,962</u>	<u>7,976</u>	<u>2,412</u>	<u>-</u>	<u>-</u>	<u>145,350</u>
<b>Fund Balances</b>						
Non-spendable						
Inventory	42,912	-	-	-	-	42,912
Prepaid items	100,000	-	555	-	-	100,555
Restricted for						
Food service	1,409,828	-	-	-	-	1,409,828
Debt service	-	-	-	1,623,334	-	1,623,334
Capital projects	-	-	-	-	1,478,458	1,478,458
Committed						
Student activity	-	592,726	-	-	-	592,726
Assigned						
Community enrichment and recreation	<u>-</u>	<u>-</u>	<u>227,388</u>	<u>-</u>	<u>-</u>	<u>227,388</u>
Total fund balances	<u>1,552,740</u>	<u>592,726</u>	<u>227,943</u>	<u>1,623,334</u>	<u>1,478,458</u>	<u>5,475,201</u>
Total liabilities and fund balances	<u>\$ 1,687,702</u>	<u>\$ 600,702</u>	<u>\$ 230,355</u>	<u>\$ 1,623,334</u>	<u>\$ 1,478,458</u>	<u>\$ 5,620,551</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, 2022**

	Special Revenue Funds			Debt Retirement Funds	Sinking Fund	Total Nonmajor Governmental Funds
	Food Service	Student Activity	DCER			
<b>Revenues</b>						
Local sources	\$ 106,682	\$ 827,964	\$ 438,685	\$ 4,805,687	\$ 1,283,404	\$ 7,462,422
State sources	138,513	-	-	6,058	3,476	148,047
Federal sources	<u>3,800,345</u>	<u>-</u>	<u>5,824</u>	<u>-</u>	<u>-</u>	<u>3,806,169</u>
Total revenues	<u>4,045,540</u>	<u>827,964</u>	<u>444,509</u>	<u>4,811,745</u>	<u>1,286,880</u>	<u>11,416,638</u>
<b>Expenditures</b>						
Current						
Education						
Supporting services	-	820,527	-	-	-	820,527
Food services	3,023,426	-	-	-	-	3,023,426
Community services	-	-	455,980	-	-	455,980
Capital outlay	-	-	-	-	190,665	190,665
Debt service						
Principal	-	-	-	2,555,000	-	2,555,000
Interest and other expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,132,584</u>	<u>-</u>	<u>2,132,584</u>
Total expenditures	<u>3,023,426</u>	<u>820,527</u>	<u>455,980</u>	<u>4,687,883</u>	<u>190,665</u>	<u>9,178,481</u>
Excess (deficiency) of revenues over expenditures	<u>1,022,114</u>	<u>7,437</u>	<u>(11,471)</u>	<u>123,862</u>	<u>1,096,215</u>	<u>2,238,157</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	86,687	-	65,126	-	-	151,813
Transfers out	<u>(130,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(130,000)</u>
Total other financing sources (uses)	<u>(43,313)</u>	<u>-</u>	<u>65,126</u>	<u>-</u>	<u>-</u>	<u>21,813</u>
Net change in fund balances	978,801	7,437	53,655	123,862	1,096,215	2,259,970
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 1,552,740</u>	<u>\$ 592,726</u>	<u>\$ 227,943</u>	<u>\$ 1,623,334</u>	<u>\$ 1,478,458</u>	<u>\$ 5,475,201</u>

**Davison Community Schools**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule - 2020 School Building and Site Bond, Series I**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 313,105	\$ 313,105	\$ (22,490)	\$ (335,595)
<b>Expenditures</b>				
Capital outlay	25,366,715	25,366,715	15,314,797	(10,051,918)
Net change in fund balance	(25,053,610)	(25,053,610)	(15,337,287)	9,716,323
Fund balance - beginning	44,185,016	44,185,016	44,185,016	-
Fund balance - ending	<u>\$ 19,131,406</u>	<u>\$ 19,131,406</u>	<u>\$ 28,847,729</u>	<u>\$ 9,716,323</u>

**Davison Community Schools**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2022**

Year Ending June 30,	2013 Refunding Bonds	2013 Central Bond	2020 Building and Site Bond, Series I	Total
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
Total	<u>\$ 1,025,000</u>	<u>\$ 8,315,000</u>	<u>\$ 44,525,000</u>	<u>\$ 53,865,000</u>
Principal payments due the first day of	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	
Interest rate	3.00%	3.00% - 3.12%	3.00%	
Original issue	<u>\$ 1,610,000</u>	<u>\$ 11,835,000</u>	<u>\$ 46,050,000</u>	

**Davison Community Schools**

**Single Audit Report**

**June 30, 2022**



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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, 2022, 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 6, 2022.

### **Report on 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.

## Report on 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 6, 2022



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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**

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

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

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

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

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

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

## Responsibilities of Management for Compliance

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

## Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

## Report on Internal Control over Compliance

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

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Davison Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Davison Community Schools' basic financial statements. We issued our report thereon dated September 6, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Flint, Michigan  
September 6, 2022

**Davison Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Grant Number	Award Grant/ Entitlement Program Amount	Accrued (Unearned) Revenue at July 1, 2021	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2022
U.S. Department of Agriculture								
Child Nutrition Cluster								
Passed through Michigan Department of Education								
Non-Cash Assistance (Commodities)								
National School Lunch Program								
Entitlement Commodities								
Total Non-Cash Assistance								
	10.555	21-22	\$ 195,048	\$ -	\$ -	\$ 195,048	\$ 195,048	\$ -
				<u>-</u>	<u>-</u>	<u>195,048</u>	<u>195,048</u>	<u>-</u>
Cash Assistance								
COVID-19 - Seamless Summer Option (SSO) - Breakfast								
	10.553	211971	127,245	-	-	127,245	127,245	-
COVID-19 - Seamless Summer Option (SSO) - Breakfast								
	10.553	221971	724,972	-	-	663,463	724,972	61,509
				<u>-</u>	<u>-</u>	<u>790,708</u>	<u>852,217</u>	<u>61,509</u>
COVID-19 - Seamless Summer Option (SSO) - Lunch								
	10.555	211961	422,614	-	-	422,614	422,614	-
COVID-19 - Seamless Summer Option (SSO) - Lunch								
	10.555	220910	103,632	-	-	103,632	103,632	-
COVID-19 - Seamless Summer Option (SSO) - Lunch								
	10.555	221961	2,149,065	-	-	2,011,213	2,149,065	137,852
				<u>-</u>	<u>-</u>	<u>2,537,459</u>	<u>2,675,311</u>	<u>137,852</u>
Extended - Summer Food Service Program (Unanticipated)								
	10.559	210904	1,865,695	163,009	1,864,814	192,612	881	(28,722)
Total Cash Assistance								
				<u>163,009</u>	<u>1,864,814</u>	<u>3,520,779</u>	<u>3,528,409</u>	<u>170,639</u>
Total Nutrition Cluster								
				<u>163,009</u>	<u>1,864,814</u>	<u>3,715,827</u>	<u>3,723,457</u>	<u>170,639</u>
Passed through Michigan Department of Education								
COVID-19 - Pandemic EBT Local Level Costs								
	10.649	210980	3,063	-	-	3,063	3,063	-
Total U.S. Department of Agriculture								
				<u>163,009</u>	<u>1,864,814</u>	<u>3,718,890</u>	<u>3,726,520</u>	<u>170,639</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, 2022**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Grant Number	Award Grant/ Entitlement Program Amount	Accrued (Unearned) Revenue at July 1, 2021	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2022
U.S. Department of Education								
Special Education Cluster								
Passed through Genesee Intermediate School District								
Special Education Cluster								
IDEA Flowthrough	84.027	200450	\$ 1,113,325	\$ 749	\$ 28,589	\$ 749	\$ -	\$ -
IDEA Flowthrough	84.027	210450	1,167,021	385,974	1,123,817	429,178	43,204	-
IDEA Flowthrough	84.027	220450	1,223,696	-	-	770,925	1,151,529	380,604
COVID-19 - IDEA Flowthrough - American Rescue Plan	84.027X	221280	249,620	-	-	-	17,182	17,182
				<u>386,723</u>	<u>1,152,406</u>	<u>1,200,852</u>	<u>1,211,915</u>	<u>397,786</u>
IDEA Preschool Incentive	84.173	210460	45,769	10,728	45,769	10,728	-	-
IDEA Preschool Incentive	84.173	220460	34,764	-	-	31,415	34,764	3,349
				<u>10,728</u>	<u>45,769</u>	<u>42,143</u>	<u>34,764</u>	<u>3,349</u>
Total Special Education Cluster				<u>397,451</u>	<u>1,198,175</u>	<u>1,242,995</u>	<u>1,246,679</u>	<u>401,135</u>
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Part A - Grants to Local Educational Agencies	84.010	211530	642,965	125,489	642,965	125,489	-	-
Title I Part A - Grants to Local Educational Agencies	84.010	221530	543,128	-	-	299,845	535,822	235,977
				<u>125,489</u>	<u>642,965</u>	<u>425,334</u>	<u>535,822</u>	<u>235,977</u>
Passed through Genesee Intermediate School District								
Career and Technical Education - Basic Grants to States (Perkins)	84.048	213520	69,945	23,664	69,945	23,664	-	-
Career and Technical Education - Basic Grants to States (Perkins)	84.048	223520	140,313	-	-	68,252	72,061	3,809
				<u>23,664</u>	<u>69,945</u>	<u>91,916</u>	<u>72,061</u>	<u>3,809</u>
Passed through Michigan Department of Education								
Title III Part A - English Language Acquisition State Grants	84.365	210570	1,185	320	320	320	-	-
Passed through Michigan Department of Education								
Title II Part A - Supporting Effective Instruction State Grants	84.367	210520	141,882	28,331	141,882	28,331	-	-
Title II Part A - Supporting Effective Instruction State Grants	84.367	220520	118,361	-	-	76,850	118,361	41,511
				<u>28,331</u>	<u>141,882</u>	<u>105,181</u>	<u>118,361</u>	<u>41,511</u>
Passed through Michigan Department of Education								
Title IV - Student Support and Academic Enrichment Program	84.424A	210750	41,629	8,403	41,629	8,403	-	-
Title IV - Student Support and Academic Enrichment Program	84.424A	220750	46,129	-	-	25,572	46,129	20,557
				<u>8,403</u>	<u>41,629</u>	<u>33,975</u>	<u>46,129</u>	<u>20,557</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, 2022**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Grant Number	Award Grant/ Entitlement Program Amount	Accrued (Unearned) Revenue at July 1, 2021	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2022
Passed through Michigan Department of Education								
Education Stabilization Funds								
COVID-19 - Governors Emergency Education Relief Fund (GEER Fund) II	84.425C	211202	\$ 32,750	\$ -	\$ -	\$ 32,750	\$ 32,750	\$ -
COVID-19 - Governors Emergency Education Relief Fund (GEER Fund) II	84.425C	211222	46,950	-	-	-	46,950	46,950
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Formula	84.425D	203710	470,208	249	468,760	1,693	1,444	-
COVID-19 - ESSER Education Equity	84.425D	203720	70,531	1,874	70,531	1,874	-	-
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Formula II	84.425D	213712	2,177,476	928,221	928,221	928,221	1,174,411	1,174,411
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Formula II - 23b(2a)	84.425D	213722	94,050	-	-	94,050	94,050	-
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Formula II - 23b(2b)	84.425D	213742	82,500	-	-	82,500	82,500	-
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Formula II - 23b(2c)	84.425D	213752	16,000	-	-	7,417	16,000	8,583
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Formula III - 23c	84.425U	213713	3,260,202	-	-	-	1,364,432	1,364,432
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Formula III - 11t	84.425U	213723	1,356,747	-	-	-	254,679	254,679
Total Education Stabilization Funds				<u>930,344</u>	<u>1,467,512</u>	<u>1,148,505</u>	<u>3,067,216</u>	<u>2,849,055</u>
Total U.S. Department of Education				<u>1,514,002</u>	<u>3,562,428</u>	<u>3,048,226</u>	<u>5,086,268</u>	<u>3,552,044</u>
U.S. Department of Health and Human Services								
Medicaid Cluster								
Passed through Genesee Intermediate School District								
Medical Outreach	93.778	21-22	21,759	-	-	21,759	21,759	-
U.S. Department of Homeland Security								
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	19-20	52,269	52,269	-	-	-	52,269
Total Federal Awards				<u>\$ 1,729,280</u>	<u>\$ 5,427,242</u>	<u>\$ 6,788,875</u>	<u>\$ 8,834,547</u>	<u>\$ 3,774,952</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, 2022**

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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, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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	\$ 9,128,277
CARES - Child Care Relief Fund Grant received as beneficiary	(52,667)
American Relief Fund Child Care Sustainability Grant received as beneficiary	<u>(241,063)</u>
 Total reported expenditures for Federal Awards	 <u><u>\$ 8,834,547</u></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, 2022**

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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, 2022**

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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, 2022**

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Identification of major programs:

Assistance Listing Numbers  
84.425C / 84.425D / 84.425U  
10.553 / 10.555 / 10.559

Name of Federal Program  
Education Stabilization Fund  
Nutrition Cluster

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, 2022**

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**Section IV – Prior Audit Findings**

There were no audit findings for the year ended June 30, 2021.

September 6, 2022

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

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information Davison Community Schools (the School District) as of September 6, 2022 and for the year ended June 30, 2022. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following appendices:

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

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

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

This information is intended solely for the information and use of 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

## Appendix I

### Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 18, 2022. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2021:

- Statement No. 87, *Leases* increases the usefulness of the 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 leasing activities.
- 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.
- Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

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 statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

- Right of use assets and lease liabilities. The estimate is based on management's assessment of the likelihood of exercising renewal options and utilizing reasonable interest and discount rates.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net other postemployment (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

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

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Implementation of lease accounting standard

## Additional Information

### Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached. Additionally, cyber insurance coverage may be difficult or costly to obtain without adequate safeguards in place within your organization.

Risk assessment is a first step in mitigating cybersecurity risks and improving your organization's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at [www.nist.gov](http://www.nist.gov).

Once you have performed a risk assessment, it's time to take action. A few simple solutions that are recommended to prevent cyber-attacks include:

- **Document your program** – Identify specific roles and responsibilities as well as adopting security policies and procedures for your organization to follow, is generally a good practice to have guidelines to follow in the event of an attack. Annually, risks should be reassessed, and the program should be modified to address any identified risks.
- **Offsite back up location** – Frequent data backups are a good safeguard; but if your entire network is compromised, restoring a backup saved to the network, becomes problematic. Routinely backing up data and storing offsite, allows for your organization to get back up and running as quickly as possible, if your network is attacked.
- **Require routine password changes** – Frequently, people have a bad habit of using the same password for multiple applications. Inevitably, at some point that password will likely be compromised in one of those applications. Requiring users to change their password routinely, reduces the risk of your system

being accessed with a compromised password. Requiring a complex password to be of a certain length and contain a mixture of character types, reduces your risk even further.

- **Utilizing multifactor authentication (MFA)** – knowing that people may use the same password to access multiple applications, this extra security layer makes it more difficult for attackers to gain access to your system. Microsoft claims that MFA can block over 99.9 percent of account compromise attacks.
- **Provide cybersecurity training** – Security awareness training provides a human firewall to protect your system. Training sessions and automated simulated attacks are utilized to help train people on how to spot phishing email attacks. Yeo & Yeo is able to provide security training to your employees.

Placing significant emphasis on evaluating your organization’s cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat and help lessen the impact of a breach.

### **Accounting Standards**

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

### **Difficulties Encountered in Performing the Audit**

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

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

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

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

### **Disagreements with Management**

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

### **Management Representations**

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

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

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the School District’s financial statements or a determination of the type of 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.

## **Emphasis of Matters in Independent Auditors' Report**

Our report will include the following emphasis of matter paragraph:

### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2022 the School District adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

## **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**

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

## **Appendix II**

### **Matters for Management's Consideration**

In planning and performing our audit of the financial statements of Davison Community Schools as of and for the year ended June 30, 2022, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of the following matter for management's consideration that is an opportunity for strengthening internal controls. This letter does not affect our report dated September 6, 2022, on the financial statements of Davison Community Schools.

#### **Net Cash Resources**

As a result of the COVID-19 pandemic and flexibilities awarded related to eligibility and food distribution, meal claim revenues were in excess of anticipated amounts. A proportional increase to expenditures did not occur, resulting in a growth in net cash resources in an amount that exceeded the three-month average expenditure requirement included in the federal regulations. The noncompliance has not been determined to be material to the federal program or the financial statements, as it has not resulted in questioned costs, or negatively impacted the program; as the District is actively working on using the funds to enhance the program. However, the District must continue to take action to return to compliance. They may reduce lunch prices in a manner that is consistent with the paid lunch equity provisions, improve food quality, or take other action designed to improve the program. We recommend that Districts look at possible enhancements to the program in order to develop a spend down plan to return to compliance with this requirement.