DECKERVILLE COMMUNITY SCHOOLS
Deckerville, Michigan

Report on Financial Statements
(with required supplementary and
additional supplementary information)
Year Ended June 30, 2019

DECKERVILLE COMMUNITY SCHOOLS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Deckerville Community Schools
Deckerville, MI 48427

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Deckerville Community Schools, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Deckerville Community Schools as of June 30, 2019, 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.

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Other Matters

Required Supplementary Information

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

Other Information

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

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019 on our consideration of Deckerville 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 Deckerville 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 Deckerville Community Schools' internal control over financial reporting and compliance.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 21, 2019

This section of Deckerville Community Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

Financial Highlights

The general fund balance decreased by $120,955 to a total of $2,127,766 as of June 30, 2019.

The food service fund balance increased by $5,976 to a total of $151,129 as of June 30, 2019.

The debt service fund balance decreased by $6,023 to a total of $31,453 as of June 30, 2019.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Fiduciary Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures.

The obligations for future years debt service are not recorded in the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are required by GASB 34. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Assets		
Current assets	$ 2,895,217	$ 2,992,354
Noncurrent assets	3,009,156	3,303,772
Total assets	5,904,373	6,296,126
Deferred Outflows of Resources	4,402,279	2,441,074
Liabilities		
Current liabilities	586,732	725,640
Long-term liabilities	479,477	467,577
Net pension liability	10,808,394	9,111,785
Net other postemployment benefits	2,880,069	3,096,168
Total liabilities	14,754,672	13,401,170
Deferred Inflows of Resources	1,872,533	1,023,321
Net Position		
Net investment in capital assets	2,686,183	2,831,815
Restricted for debt service	29,590	34,832
Unrestricted	(9,036,326)	(8,553,938)
Total net position	$ (6,320,553)	$ (5,687,291)

Analysis of Financial Position

During the fiscal year ended June 30, 2019, the District's net position decreased by $633,262. A few of the more significant factors affecting net position during the year are discussed below.

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2019, $317,756 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2019, $23,140 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

Results of Operations

For the fiscal year ended June 30, 2019 and 2018, the results of operations, on a District-wide basis were:

	Year Ended June 30, 2019	% of Total	Year Ended June 30, 2018	% of Total
General Revenues				
Property taxes	$ 1,662,737	24.31%	$ 1,737,652	26.38%
Investment earnings	32,330	0.47%	20,571	0.31%
State sources	3,244,180	47.44%	2,887,516	43.84%
Transfers from other districts	57,019	0.83%	33,364	0.51%
Other	32,187	0.47%	70,483	1.07%
Total general revenues	5,028,453	73.52%	4,749,586	72.11%
Program Revenues				
Charges for services	125,460	1.83%	132,534	2.01%
Operating grants	1,684,992	24.64%	1,704,004	25.87%
Total revenues	6,838,905	99.99%	6,586,124	99.99%
Expenses				
Instruction	4,050,761	54.21%	3,845,224	57.37%
Support services	2,684,023	35.92%	2,125,222	31.71%
Food services	403,529	5.40%	386,459	5.77%
Interest on long-term debt	16,098	0.22%	20,509	0.31%
Unallocated depreciation expense	317,756	4.25%	324,987	4.84%
Total expenses	7,472,167	100.00%	6,702,401	100.00%
Change in net position	$ (633,262)		$ (116,277)	

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levied 18.0000 mills of property taxes for operations on non-principal residence exemption properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less.

For the 2018-2019 fiscal year, the district levied $1,502,127 non-principal residence exemption and commercial personal property taxes.

The following table summarizes the non-PRE and commercial personal property tax levies for operations for the past five years:

Fiscal Year	Non-PRE & Commercial Personal Property Tax Collected	% Increase (Decrease) From Prior Year
2018 - 2019	$ 1,502,127	-3.14%
2017 - 2018	1,550,896	2.05%
2016 - 2017	1,519,772	21.93%
2015 - 2016	1,246,451	6.96%
2014 - 2015	1,159,724	-22.79%

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year's fall count and 10% of the prior year's spring count. For the 2018 - 2019 fiscal year, the District's foundation allowance was $7,871 per student FTE, this was $240 more than the amount received in the 2017 - 2018 fiscal year.

3. Student Enrollment

The following schedule lists the actual blended student FTE for the past five fiscal years:

	Actual Blended Student FTE
2018 - 2019	604
2017 - 2018	596
2016 - 2017	604
2015 - 2016	595
2014 - 2015	590

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2019, federal, state and other grants accounted for $1,684,992. This represents a decrease of $19,012 over the total grant sources received for the 2018-2019 fiscal year.

5. Interest Earnings

The District received interest on its investments in the amount of $32,330 for the fiscal year ended June 30, 2019.

6. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

	2018-2019 Fiscal Year	2017-2018 Fiscal Year	Increase (Decrease)
Expenditures			
Instruction	$ 3,807,205	$ 3,833,834	$ (26,629)
Supporting services	2,545,218	2,228,675	316,543
Food service activities	403,529	390,676	12,853
Capital outlay	4,177	64,771	(60,594)
Debt service	165,863	165,218	645
Total expenditures	$ 6,925,992	$ 6,683,174	$ 242,818

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1st. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30th.

For the 2018 - 2019 fiscal year, the district amended the general fund budget with the Board adopting the final changes in June 2019. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget	% Variance
Total revenues	$ 5,760,511	$6,248,864	$6,235,941	$ (12,923)	-0.21%
Expenditures					
Instruction	3,540,599	3,817,962	3,807,205	10,757	0.28%
Supporting services	2,718,865	2,546,507	2,549,395	(2,888)	-0.11%
Other financing sources (uses)	-	-	296	(296)	
Total expenditures	$ 6,259,464	$6,364,469	$6,356,896	$ 7,573	0.12%

Capital Asset and Debt Administration

Capital Assets

By the end of the 2018 - 2019 fiscal year, the district had invested $8,134,869 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents an increase of $23,140 over the prior fiscal year. Depreciation expense for the year amounted to $317,756 bringing the accumulation to $5,125,713 as of June 30, 2019.

Long- term Debt

At June 30, 2019, the District had $479,477 in debt outstanding. This represents a decrease of $150,092 over the amount outstanding at the close of the prior fiscal year. This is due to the principal payments being made.

Factors Bearing on the District's Future

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

- The total per pupil revenue is projected to increase by $180 in 2020.

- As with other employers, the District continues to face increases in rates paid for employee benefits, particularly for health insurance and retirement.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Business Office, 2633 Black River Street, Deckerville, MI 48427.

BASIC FINANCIAL STATEMENTS

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2019

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	$ 999,576
Investments	1,015,795
Receivables:	
Accounts receivable	6,666
Intergovernmental receivables	802,868
Due from student groups	45,312
Deposits	25,000
Capital assets, net of accumulated depreciation	3,009,156
TOTAL ASSETS	5,904,373
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	3,770,776
Related to other postemployment benefits	631,503
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,402,279
LIABILITIES	
Accounts payable	26,011
Accrued salaries and related items	477,981
Accrued retirement	80,877
Accrued interest	1,863
Noncurrent liabilities:	
Due within one year	160,000
Due in more than one year	319,477
Net pension liability	10,808,394
Net other postemployment benefits liability	2,880,069
TOTAL LIABILITIES	14,754,672
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	826,010
Related to other postemployment benefits	647,274
Related to state aid funding for pension	399,249
TOTAL DEFERRED INFLOWS OF RESOURCES	1,872,533
NET POSITION	
Net investment in capital assets	2,686,183
Restricted for debt service	29,590
Unrestricted	(9,036,326)
TOTAL NET POSITION	$ (6,320,553)

See notes to financial statements

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	PROGRAM REVENUES Charges for Services	Operating Grants	GOVERNMENTAL ACTIVITIES Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	$ 4,050,761		$ 819,823	$ (3,230,938)
Support services	2,684,023	$ 35,212	546,549	(2,102,262)
Food services	403,529	90,248	318,620	5,339
Interest on long-term debt	16,098	-	-	(16,098)
Unallocated depreciation	317,756	-	-	(317,756)
Total governmental activities	$ 7,472,167	$ 125,460	$ 1,684,992	(5,661,715)
General revenues:				
Property taxes, levied for general purposes				1,503,066
Property taxes, levied for debt service				159,671
State sources - unrestricted				3,244,180
Investment revenue				32,330
Transfers from other districts				57,019
Miscellaneous				32,187
Total general revenue				5,028,453
Change in net position				(633,262)
Net position, beginning of year				(5,687,291)
Net position, end of year				$ (6,320,553)

See notes to financial statements

DECKERVILLE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	GENERAL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
ASSETS:			
Cash and cash equivalents	$ 848,682	$ 150,894	$ 999,576
Investments	1,015,795	-	1,015,795
Accounts receivable	80	6,586	6,666
Due from other governmental units	802,868	-	802,868
Due from other funds	-	102	102
Due from student groups	45,312	-	45,312
Deposits	-	25,000	25,000
TOTAL ASSETS	***$ 2,712,737***	***$ 182,582***	***$ 2,895,319***
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 26,011	$ -	$ 26,011
Accrued salaries and related items	477,981	-	477,981
Accrued retirement	80,877	-	80,877
Due to other funds	102	-	102
TOTAL LIABILITIES	584,971	-	584,971
FUND BALANCES:			
Restricted for:			
Debt retirement	-	31,453	31,453
Food service	-	151,129	151,129
Assigned for:			
Subsequent year expenditures	459,147	-	459,147
Unassigned	1,668,619	-	1,668,619
TOTAL FUND BALANCES	2,127,766	182,582	2,310,348
TOTAL LIABILITIES AND FUND BALANCES	***$ 2,712,737***	***$ 182,582***	***$ 2,895,319***

See notes to financial statements

DECKERVILLE COMMUNITY SCHOOLS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds	$ 2,310,348
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources - related to pensions	3,770,776
Deferred outflows of resources - related to other postemployment benefits	631,503
Deferred inflows of resources - related to pensions	(826,010)
Deferred inflows of resources - related to other postemployment benefits	(647,274)
Deferred inflows of resources - related to state pension	(399,249)
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of capital assets	8,134,869
Accumulated depreciation	(5,125,713)
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Long-term debt obligations	(322,973)
Compensated absences	(156,504)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid	(1,863)
Net pension liability	(10,808,394)
Net other postemployment benefits liability	(2,880,069)
Net Position of Governmental Activities	$(6,320,553)

See notes to financial statements

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	GENERAL FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local sources			
Property tax	$ 1,503,066	$ 159,671	$ 1,662,737
Charges for services	35,212	90,248	125,460
Interest income	31,820	510	32,330
Other	32,187	-	32,187
State sources	4,304,396	25,174	4,329,570
Federal sources	272,241	293,446	565,687
Transfers from other districts	57,019	-	57,019
TOTAL REVENUES	6,235,941	569,049	6,804,990
EXPENDITURES:			
Instruction	3,807,205		3,807,205
Supporting services	2,545,218		2,545,218
Food services activities		403,529	403,529
Capital outlay	4,177		4,177
Debt service:			
Principal retirement		150,000	150,000
Interest		15,863	15,863
TOTAL EXPENDITURES	6,356,600	569,392	6,925,992
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(120,659)	(343)	(121,002)
OTHER FINANCING SOURCES (USES):			
Transfer from other funds		296	296
Transfer to other funds	(296)		(296)
TOTAL OTHER FINANCING SOURCES (USES)	(296)	296	-
NET CHANGE IN FUND BALANCES	(120,955)	(47)	(121,002)
FUND BALANCES - BEGINNING OF YEAR	2,248,721	182,629	2,431,350
FUND BALANCES - END OF YEAR	$ 2,127,766	$ 182,582	$ 2,310,348

See notes to financial statements

DECKERVILLE COMMUNITY SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Total net change in fund balances - governmental funds	$ (121,002)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:	
Depreciation expense	(317,756)
Capital outlay	23,140
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable at the beginning of the year	2,644
Accrued interest payable at the end of the year	(1,863)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Principal payments of debt	150,000
Amortization of bond discount	(1,016)
Compensated absences are reported on the accrual method in the statement of activities and recorded as an expenditure when due in the governmental funds:	
Accrued compensated absences beginning of the year	157,612
Accrued compensated absences end of the year	(156,504)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Pension related items	(499,403)
Other postemployment benefit related items	96,971
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period.	
Change in state aid funding for pension	33,915
Change in net position of governmental activities	$ (633,262)

See notes to financial statements

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019

		AGENCY FUNDS
ASSETS		
ASSETS		
Cash and cash equivalents	$	124,675
TOTAL ASSETS	***$***	***124,675***
LIABILITIES		
LIABILITIES		
Due to student organizations	$	79,363
Due to general fund		45,312
TOTAL LIABILITIES	***$***	***124,675***

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

REPORTING ENTITY:

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

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

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

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS:

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

The District reports the following major governmental funds:

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

OTHER NON-MAJOR FUNDS:

The *2011 debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in the special revenue fund.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government–wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

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

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

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end).

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

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

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

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

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

BUDGETARY INFORMATION:
Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. Other funds do not have appropriated budgets.

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

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. The budget was amended during the year with supplemental appropriations, the last one approved prior to the year ended June 30th. The District does not consider these Amendments to be significant.

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Certain investments are valued at fair value and determined by quoted market prices or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaid items

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

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

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are valued at their estimated acquisition value at the date of donation.

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

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and additions	15 - 50 years
Technology and equipment	5 - 20 years
Transportation	10 years

5. Defined Benefit Plan

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

6. Deferred outflows/inflows of resources

Deferred outflow:

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

Deferred inflow:

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

7. Net position flow assumption

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

8. Fund balance flow assumptions

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

9. Fund balance policies

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

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

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

REVENUES AND EXPENDITURES/EXPENSES:

1. Program revenues

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

2. Property taxes

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

For the year ended June 30, 2019, the District levied the following amounts per $1,000 of assessed valuation:

FUND	MILLS
General Fund:	
Non-Principle Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt Service Fund:	
PRE, Non-PRE, Commercial Personal Property	0.5400

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

4. Long-term obligations

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS:

As of June 30, 2019, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Rating	%
MILAF - MAX Class	$1,015,795	0.0027	AAAm	100.0%
Total fair value	$1,015,795			100.0%
Portfolio weighted average maturity		0.0027		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified' investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2019, the fair value of the District's investments is the same as the value of the pool shares.

MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost, which approximates fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not required for fair value disclosures.

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, the District did not have investments in commercial paper or corporate bonds.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2019, $305,152 of the District's bank balance of $1,402,301 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value is $1,124,251.

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

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

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

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

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

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

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

The District does not have any investments subject to the fair value measurement.

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

The above amounts as previously reported in Note 2:

Deposits - including fiduciary funds of $124,675	$ 1,124,251
Investments	1,015,795
	$ 2,140,046

The above amounts are reported in the financial statements as follows:

Cash and cash equivalents- district wide	$	999,576
Cash and cash equivalents- fiduciary funds		124,675
Investments - district wide		1,015,795
	$	2,140,046

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:

Intergovernmental receivables at June 30, 2019 from other governmental units consist of the following:

Governmental Units:		
State aid - State of Michigan	$	748,095
Federal revenue		54,773
Other		-
	$	802,868

Amounts due from other governmental units include amounts due from federal, state, and local sources for various projects and programs. No allowance for doubtful accounts is considered necessary.

NOTE 4 – CAPITAL ASSETS:

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

	BALANCE JULY 1, 2018	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2019
Governmental Activities:				
Capital assets being depreciated:				
Buildings and additions	$ 6,213,571	$ 23,140	$ -	$ 6,236,711
Technology and equipment	1,224,549			1,224,549
Transportation	673,609			673,609
Total capital assets being depreciated	8,111,729	23,140	-	8,134,869
Accumulated depreciation:				
Buildings and additions	(3,609,341)	(159,914)		(3,769,255)
Technology and equipment	(874,270)	(97,930)		(972,200)
Transportation	(324,346)	(59,912)		(384,258)
Total accumulated depreciation	(4,807,957)	(317,756)	-	(5,125,713)
Net capital assets being depreciated	3,303,772	(294,616)	-	3,009,156
Net governmental capital assets	$ 3,303,772	$ (271,476)	$ -	$ 3,009,156

Depreciation expense was charged as unallocated to the governmental activities in the amount of $317,756. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund payable and receivable balances at June 30, 2019 are as follows:

RECEIVABLE FUND	AMOUNT	PAYABLE FUND	AMOUNT
Nonmajor Funds	$ 102	General Fund	$ 102
Total	$ 102		$ 102

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

NOTE 6 - LONG-TERM OBLIGATIONS:

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligation and pledge the full faith and credit of the District.

The following is a summary of the long-term debt of the school district for the year ended June 30, 2019:

	General obligation bonds	Compensated absences	Total
Beginning Balance	$ 471,957	$ 157,612	$ 629,569
Additions	-	-	-
Deletions	(148,984)	(1,108)	(150,092)
Ending Balance	322,973	156,504	479,477
Due within one year	(160,000)	-	(160,000)
Due in more than one year	$ 162,973	$ 156,504	$ 319,477

As of June 30, 2019, the school district had the following long-term debt outstanding:

General obligation bonds:

2011 Building & site bonds due in semi-annual payments ranging from $85,000 to $165,000 from May 1, 2012 to November 1, 2021 with interest from 2.00% to 3.50%.	$ 325,000
Discount on bond issuance	(2,027)
Total general obligation bonds	322,973
Compensated absences	156,504
Total general long-term obligations	$ 479,477

The annual requirements to amortize long-term debt outstanding as of June 30, 2019, including interest of payments, are as follows:

	GENERAL OBLIGAITON BONDS		
YEAR ENDED JUNE 30,	**PRINCIPAL**	**INTEREST**	**TOTAL**
2020	$ 160,000	$ 11,175	$ 171,175
2021	165,000	5,775	170,775
Total	325,000	16,950	341,950
Discount of bond issuance	(2,027)	-	(2,027)
Accumulated compensated absences	156,504	-	156,504
TOTAL	$ 479,477	$ 16,950	$ 496,427

A fund balance amount of $31,453 is available in the debt service fund to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2019 was $16,098.

NOTE 7 – RETIREMENT AND POST RETIREMENT BENEFITS:

Plan Description - The Michigan Public School Employees' Retirement System (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, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at http://michigan.gov/orsschools.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The 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.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately $986,000, with $974,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB contributions were approximately $263,000, with $251,000 specifically for the Defined Benefit Plan.

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

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

Pension Liabilities

At June 30, 2019, the District reported a liability of $10,808,394 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was .03595 and .03516 percent.

MPSERS (Plan) Non-university employers:	September 30, 2018	September 30, 2017
Total Pension Liability	$ 79,863,694,444	$ 72,407,218,688
Plan Fiduciary Net Position	$ 49,801,889,205	$ 46,492,967,573
Net Pension Liability	$ 30,061,805,239	$ 25,914,251,115
Proportionate Share	0.03595%	0.03516%
Net Pension Liability for the District	$ 10,808,394	$ 9,111,785

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

For the year ended June 30, 2019, the District recognized pension expense of $1,476,739.

At June 30, 2019, the 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
Changes of assumptions	$ 2,503,215	
Net difference between projected and actual earnings on pension plan investments		$ (739,019)
Differences between expected and actual experience	50,153	(78,543)
Changes in proportion and differences between employer contributions and proportionate share of contributions	303,762	(8,448)
District's contributions subsequent to the measurement date	913,646	
	$ 3,770,776	$ (826,010)

$913,646, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2019	$ 819,886
2020	614,167
2021	429,040
2022	168,027

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

OPEB Liabilities

At June 30, 2019, the District reported a liability of $2,880,069 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.03623 percent and 0.03496 percent.

MPSERS (Plan) Non-university employers:	September 30, 2018	September 30, 2017
Total Other Postemployment Benefit Liability	$ 13,932,170,264	$ 13,920,945,991
Plan Fiduciary Net Position	$ 5,983,218,473	$ 5,065,474,948
Net Other Postemployment Benefit Liability	$ 7,948,951,791	$ 8,855,471,043
Proportionate Share	0.03623%	0.03496%
Net Other Postemployment Benefit Liability for the District	$ 2,880,069	$ 3,096,168

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2019, the District recognized OPEB expense of $161,240.

At June 30, 2019, the 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
Change of assumptions	$ 305,001	
Net difference between projected and actual earnings on OPEB plan investments		$ (110,688)
Difference between expected and actual experience		(536,055)
Changes in proportion and differences between employer contributions and porportionate share of contributions	95,531	(531)
Reporting Unit contributions subsequent to the measurement date	230,971	
Total	$ 631,503	$ (647,274)

$230,971, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2019	$ (63,744)
2020	(63,744)
2021	(63,744)
2022	(41,170)
2023	(14,340)

Actuarial Assumptions

Investment rate of return for pension – 7.05% a year, compounded annually net of investment and administrative expenses for the non-hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the hybrid group (Pension Plus Plan).

Investment rate of return for OPEB – 7.15% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75%.

Inflation – 3.0%

Mortality assumptions –

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

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

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

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

The long-term expected rate of return on pension and other postemployment benefit plan investments **-** The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment rate was 7.15%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare cost trend rate for other postemployment benefit – 7.5% for year one and graded to 3.0% in year twelve.

Additional assumptions for other postemployment benefit only – applies to individuals hired before September 4, 2012:

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

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

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

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term expected real rate of return*
Domestic equity pools	28.00%	5.70%
Private equity pools	18.00%	9.20%
International equity	16.00%	7.20%
Fixed income pools	10.50%	0.50%
Real estate and infrastructure pools	10.00%	3.90%
Absolute return pools	15.50%	5.20%
Short term investment pools	2.00%	0.00%
	100.00%	

*****Long term rate of return are net of administrative expenses and 2.3% inflation.

Pension Discount rate – A single discount rate of 7.05% was used to measure the total pension liability (7.0% for Pension Plus Plan and 6.0% for Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus Plan and 6.0% for Pension Plus 2 Plan). The projection of cash flows used to determine the discount rate assumed that plan members contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount rate – A single discount rate of 7.15% 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 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using a single discount rate of 7.05% (7% for Pension Plus Plan and 6.0% for the Pension Plus 2 Plan), as well as what the 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 point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 14,190,587	$ 10,808,394	$ 7,998,342

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 3,457,464	$ 2,880,069	$ 2,394,409

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Healthcare cost trend rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 2,368,825	$ 2,880,069	$ 3,466,570

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2018 Comprehensive Annual Financial Report.

Payable to the Pension and OPEB Plan

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

NOTE 8 - TRANSFERS:

The General Fund transferred $296 to the Hot Lunch Fund during the current fiscal year to pay off uncollectible inactive student lunch accounts.

NOTE 9 – RISK MANAGEMENT:

The District is exposed to risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. With regard to injuries to employees, the District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the deficiency. The association maintains reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. This program is recorded in the general fund. The District continues to carry commercial insurance for other risk of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

NOTE 10 – COMMITMENTS AND CONTINGENCIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any, would be immaterial.

NOTE 11 - TAX ABATEMENTS:

The District is required to disclose significant tax abatements as required by GASB statement 77 (Tax abatements).

The District receives reduced property tax revenues as a result of Industrial Facilities Tax Exemptions, granted by cities, villages, and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The District did not have any property taxes abated under any of these programs.

There are no significant abatements made by the District.

NOTE 12 – UPCOMING ACCOUNTING PRONOUNCEMENT:

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

REQUIRED SUPPLEMENTARY INFORMATION

DECKERVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

	BUDGET			
	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Local sources				
Property tax	$ 1,580,996	$ 1,503,066	$ 1,503,066	$ -
Charges for services	22,000	35,212	35,212	-
Interest income	5,000	31,817	31,820	3
Other	-	31,779	32,187	408
State sources	3,895,686	4,317,133	4,304,396	(12,737)
Federal sources	234,071	285,818	272,241	(13,577)
Transfers from other districts	22,758	44,039	57,019	12,980
TOTAL REVENUES	5,760,511	6,248,864	6,235,941	(12,923)
EXPENDITURES:				
Instruction				
Basic programs	2,994,232	3,211,444	3,201,256	10,188
Added needs	546,367	606,518	605,949	569
Total Instruction	3,540,599	3,817,962	3,807,205	10,757
Supporting Services				
Pupil services	221,153	217,559	218,138	(579)
Instructional staff services	298,913	304,980	304,974	6
General administration	270,467	275,617	275,585	32
School administration	429,702	446,998	448,039	(1,041)
Business services	122,707	117,596	117,427	169
Operations & maintenance	502,409	522,908	522,819	89
Pupil transportation	313,827	280,792	281,509	(717)
Central services	120,681	115,091	115,980	(889)
Athletic activities	193,225	203,426	203,399	27
Other support services	30,781	57,363	57,348	15
Capital outlay	215,000	4,177	4,177	-
Total Supporting Services	2,718,865	2,546,507	2,549,395	(2,888)
TOTAL EXPENDITURES	6,259,464	6,364,469	6,356,600	7,869
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(498,953)	(115,605)	(120,659)	(5,054)
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	-	-	(296)	(296)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(296)	(296)
NET CHANGE IN FUND BALANCE	$ (498,953)	$ (115,605)	(120,955)	$ (5,350)
FUND BALANCE - BEGINNING OF YEAR			2,248,721	
FUND BALANCE - END OF YEAR			$ 2,127,766	

DECKERVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
YEAR ENDED SEPTEMBER 30)

	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.03595%	0.03516%	0.03420%	0.03418%	0.03350%
Reporting unit's proportionate share of net pension liability	$10,808,394	$9,111,785	$8,533,840	$8,347,500	$7,378,044
Reporting unit's covered-employee payroll	$ 3,077,266	$2,967,703	$2,875,204	$2,884,021	$2,904,571
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	351.23%	307.03%	296.81%	289.44%	254.01%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	62.36%	64.21%	63.27%	63.17%	66.20%

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

DECKERVILLE COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

LAST 10 FISCAL YEARS (DETERMINED AS OF

YEAR ENDED JUNE 30)

	2019	2018	2017	2016	2015
Statutorily required contributions	$ 973,789	$ 964,540	$ 828,305	$ 735,873	$ 639,321
Contributions in relation to statutorily required contributions	973,789	964,540	828,305	735,873	639,321
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Reporting unit's covered-employee payroll	$3,216,105	$3,057,860	$3,025,801	$2,877,266	$2,974,337
Contributions as a percentage of covered-employee payroll	30.28%	31.54%	27.37%	25.58%	21.49%

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

DECKERVILLE COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
YEAR ENDED SEPTEMBER 30)

	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.03623%	0.03496%
Reporting unit's proportionate share of net OPEB liability	$ 2,880,069	$ 3,096,168
Reporting unit's covered-employee payroll	$ 3,077,266	$ 2,967,703
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.59%	104.33%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	42.95%	36.39%

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

DECKERVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
YEAR ENDED JUNE 30)

	2019	2018
Statutorily required contributions	$ 250,757	$ 240,216
Contributions in relation to statutorily required contributions	250,757	240,216
Contribution deficiency (excess)	$ -	$ -
Reporting unit's covered-employee payroll	$ 3,216,105	$ 3,057,860
Contributions as a percentage of covered-employee payroll	7.80%	7.86%

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

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

Pension Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%.

Projected salary increases decreased to 2.75% - 11.55%, including wage inflation at 2.75% from 3.50% - 12.30%, including wage inflation of 3.50%.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate decreased to 7.15% from 7.50%.

Projected salary increases decreased to 2.75% - 11.55%, including wage inflation at 2.75% from 3.50% - 12.30%, including wage inflation of 3.50%.

Healthcare cost trend rate decreased to 7.50% Year 1 graded to 3.00% Year 12 from 7.50% Year 1 graded to 3.50% Year 12.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

ADDITIONAL SUPPLEMENTARY INFORMATION

DECKERVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2019

	SPECIAL REVENUE-FOOD SERVICE	2011 DEBT SERVICE	TOTAL NONMAJOR FUNDS
ASSETS			
ASSETS			
Cash and cash equivalents	$ 119,441	$ 31,453	$ 150,894
Accounts receivable	6,586		6,586
Deposits	25,000		25,000
Due from other funds	102	-	102
TOTAL ASSETS	***$ 151,129***	***$ 31,453***	***$ 182,582***
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ -	$ -
TOTAL LIABILITIES	-	-	-
FUND BALANCES			
Restricted for:			
Debt retirement		31,453	31,453
Food service	151,129		151,129
TOTAL FUND BALANCES	151,129	31,453	182,582
TOTAL LIABILITIES AND FUND BALANCES	***$ 151,129***	***$ 31,453***	***$ 182,582***

DECKERVILLE COMMUNITY SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE- FOOD SERVICE	2011 DEBT SERVICE	TOTAL NONMAJOR FUNDS
REVENUES:			
Local sources			
Property tax		$ 159,671	$ 159,671
Interest income	$ 341	169	510
Food sales	90,248		90,248
State sources	25,174	-	25,174
Federal sources	293,446		293,446
TOTAL REVENUES	409,209	159,840	569,049
EXPENDITURES:			
Food services activities	403,529		403,529
Debt service:			
Principal retirement		150,000	150,000
Interest		15,863	15,863
TOTAL EXPENDITURES	403,529	165,863	569,392
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,680	(6,023)	(343)
OTHER FINANCING SOURCES:			
Transfers from (to) other funds	296	-	296
NET CHANGES IN FUND BALANCES	5,976	(6,023)	(47)
FUND BALANCES - JULY 1	145,153	37,476	182,629
FUND BALANCES - JUNE 30	$ 151,129	$ 31,453	$ 182,582

DECKERVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
2011 SCHOOL BUILDING AND SITE BONDS
JUNE 30, 2019

$1,320,000 2011 School Building and Site Bonds issued July 13, 2011:

DUE DATE	PRINCIPAL	RATES	INTEREST DUE	PAYMENT DUE
11/1/2019			$ 5,587	$ 5,587
5/1/2020	$ 160,000	3.375%	5,588	165,588
11/1/2020			2,887	2,887
5/1/2021	165,000	3.500%	2,888	167,888
11/1/2021				
TOTAL	$ 325,000		$ 16,950	$ 341,950

The above bonds were authorized May 3, 2011 at an election and have interest rates from 2.00% to 3.50%. The bond proceeds were used for partially remodeling, furnishing and refurnishing, equipping and re-equipping school facilities, in part for energy conservation purposes; acquiring and equipping educational technology for school facilities, acquiring school buses, and developing and improving the site.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Deckerville Community Schools
Deckerville, MI 48427

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Deckerville Community Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Deckerville Community Schools' basic financial statements and have issued our report thereon dated October 21, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Deckerville Community Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Deckerville Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Deckerville 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 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. We identified a deficiency in internal control over financial reporting, described as 2019-001 in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Deckerville 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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DECKERVILLE COMMUNITY SCHOOLS' RESPONSE TO FINDINGS

Deckerville Community Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Deckerville Community Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 21, 2019

DECKERVILLE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

Findings considered a significant deficiency

Finding 2019-001

Criteria:
Statement on Auditing Standards #115 titled *Communicating Internal Control Related matters Identified in an Audit* (issued October 2008), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

Condition:
Due to the limited number of staff, many critical duties are combined and given to the available staff and/or board members.

Context:
Internal controls are weakened due to the lack of segregation of duties.

Effect:
As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented, or detected and corrected by management on a timely basis. Other staff members and/or board members must be utilized in order to achieve good internal controls.

Cause:
The district doesn't have enough staff in the business office to have a proper segregation of duties.

Recommendation:
At this time, we recommend the District segregate the duties whenever possible and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #115.

Client Response:
We are aware of this deficiency and believe it is not cost beneficial in our situation to hire additional staff. We will continue to segregate duties in the business office based on available staff. We would expect this situation to be ongoing in future years.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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Board of Education
Deckerville Community Schools
Deckerville, Michigan

In planning and performing our audit of the financial statements of Deckerville Community Schools as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Deckerville Community Schools' 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 21, 2019, on the financial statements of Deckerville Community Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments and recommendations are summarized as follows:

Food Service Net Cash Resources
Federal requirements are that the District must limit its net cash resources to an amount that does not exceed three months average expenditures for its non-profit food service program. We noted that the School District's food service fund balance was in excess of the required levels by approximately $16,600. We recommend the District review its net cash resources throughout the year to verify that they are not in excess of three months of expenditures and develop a plan to reduce the fund balance.

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

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

October 21, 2019

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To the Members of the Board
Deckerville Community Schools

We have audited the financial statements of ***Deckerville Community Schools*** for the year ended ***June 30, 2019*** and have issued our report thereon dated October 21, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United State of America and *Government Auditing Standards*
As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of ***Deckerville Community Schools.*** Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of ***Deckerville Community Schools'*** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit
We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by ***Deckerville Community Schools*** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing polices was not changed during 2019. We noted no transactions entered into by ***Deckerville Community Schools*** during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on an expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

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Management's estimates the lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

We did not identify any sensitive disclosures.

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We have proposed adjustments we consider to be significant and have communicated this to management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

This information is intended solely for the use of the Members of the Board and management of ***Deckerville Community Schools*** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

October 21, 2019