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# Madison District Public Schools

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**Financial Report  
with Supplemental Information  
June 30, 2020**

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## Independent Auditor's Report

To the Board of Education  
Madison District Public Schools

### 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 Madison District Public Schools (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Madison District Public Schools' basic financial statements, as listed in the table of contents.

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

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

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

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Madison District Public Schools as of June 30, 2020 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matters***

As described in Note 2 to the financial statements, as of July 1, 2019, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, Madison District Public Schools is pursuing an appeal with the State of Michigan regarding certain pupil count audit adjustments that have been proposed by the intermediate school district in relation to the School District's home-school program called the Madison Virtual Academy. Our opinion is not modified with respect to this matter.

To the Board of Education  
Madison District Public Schools

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental 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, which 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 supplemental 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 Madison District Public Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental 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 November 24, 2020 on our consideration of Madison District Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Madison District Public Schools' internal control over financial reporting and compliance.



November 24, 2020

This section of the annual financial report for Madison District Public Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### ***Using This Annual Report***

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Madison District Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund, the General Fund, with all other funds presented in one column as nonmajor funds. This report is composed of the following elements:

#### **Management's Discussion and Analysis (MD&A) (Required Supplemental Information)**

##### **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

##### **Required Supplemental Information**

Budgetary Comparison Schedule - General Fund

Schedule of Proportionate Share of Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

##### **Other Supplemental Information**

### ***Reporting the School District as a Whole - Government-wide Financial Statements***

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

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

# Madison District Public Schools

## Management's Discussion and Analysis (Continued)

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

### **Reporting the School District's Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

### **Governmental Funds**

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

### **The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 9.9	\$ 5.0
Capital assets	19.7	20.3
Total assets	29.6	25.3
<b>Deferred Outflows of Resources</b>	12.9	12.9
<b>Liabilities</b>		
Current liabilities	3.9	4.0
Noncurrent liabilities	18.6	14.8
Net pension liability	32.1	28.3
Net OPEB liability	7.0	7.8
Total liabilities	61.6	54.9
<b>Deferred Inflows of Resources</b>	5.1	5.0
<b>Net Position (Deficit)</b>		
Net investment in capital assets	8.6	8.1
Restricted	0.7	0.4
Unrestricted	(33.5)	(30.2)
Total net position (deficit)	<b>\$ (24.2)</b>	<b>\$ (21.7)</b>

## Madison District Public Schools

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### Management's Discussion and Analysis (Continued)

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The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(24.2) million at June 30, 2020. Net investment in capital assets totaling \$8.6 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(33.5) million) was unrestricted.

The \$(33.5) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of GASB Statement Nos. 68 and 75 (recording the School District's share of the net pension and OPEB liabilities from the state-managed retirement system). Unrestricted net position, when available, would enable the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund and the change in the net pension and OPEB liabilities will have a significant impact on the change in unrestricted net position from year to year.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 84, *Fiduciary Activities*, as of July 1, 2019. This standard provides guidance on the identification and reporting of fiduciary activities and required the Student District to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2019 beginning net position by \$157,626, which represents the activities that used to be reported as fiduciary but are now reported as governmental under GASB 84. The governmental statement of net position at June 30, 2020 and statement of activities for the year ended June 30, 2020 include all the balances and transactions for those activities that used to be reported as fiduciary but are now reported as governmental. All school districts were required to adopt this new standard unless they elected to defer for one year, as allowed under GASB Statement No. 95.

## Madison District Public Schools

### Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.4	\$ 0.6
Operating grants	5.9	5.1
General revenue:		
Taxes	3.8	3.6
State aid not restricted to specific purposes	7.1	12.8
Other	0.8	0.5
Total revenue	18.0	22.6
<b>Expenses</b>		
Instruction	9.9	14.2
Support services	8.5	9.1
Athletics	0.2	0.3
Food services	1.2	1.5
Community services	0.3	0.6
Debt service	0.5	0.5
Total expenses	20.6	26.2
<b>Change in Net Position</b>	(2.6)	(3.6)
<b>Net Position (Deficit) - Beginning of year, as restated</b>	(21.6)	(18.1)
<b>Net Position (Deficit) - End of year</b>	<b>\$ (24.2)</b>	<b>\$ (21.7)</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$20.6 million. Certain activities were partially funded from those who benefited from the programs (\$0.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5.9 million). We paid for the remaining public benefit portion of our governmental activities with \$3.8 million in taxes, \$7.1 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$2.6 million.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

#### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$5.7 million, which is an increase of \$5.0 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased to \$4.6 million. The main reason for the increase was that the District School was given a supplemental payment to be paid back over four years instead of all the money owed for the loss of students to be paid back during the current year.

# Madison District Public Schools

## Management's Discussion and Analysis (Continued)

The fund balance of our special revenue funds increased from \$0.1 million last year to \$0.4 million this year as a result of the General Fund absorbing any negative operating balances.

With the adoption of GASB 84, the School District created the student activity special revenue to account for activities previously reported as fiduciary funds. The effect of the adoption was to increase July 1, 2019 beginning fund balance by \$0.1 million. Fund balance remained consistent for the year ended June 30, 2020.

The fund balance of our Debt Service Fund increased by \$0.3 million. Millage rates were reduced in order to adjust the Debt Service Fund's fund balance. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved since they can be used only to pay debt service obligations.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2020. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information section of these financial statements.

There were significant revisions made to the 2019-2020 General Fund original budget. Budgeted revenue and other financing sources were increased due to an unexpected change in certain categorical revenue from the State and an unanticipated increase in foundation allowance payments due to the State finally deciding the allocations for school districts, which came after the final budgets were adopted.

Budgeted expenditures were also increased to account for the increase in salaries and purchased professional services resulting from the School District's revised operating plan due to the fluctuations in revenue and preparing for whether the School District will try to host in-person or virtual instruction. The COVID-19 pandemic caused the School District to prepare staff to make the virtual adjustments needed to keep educating our students while keeping students and staff safe. The amount of transfers to other funds established in the amended budget was \$0.3 million and represents support provided by the General Fund to other functions (Child Care Fund).

There were no significant variances between the final budget and actual amounts.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

As of June 30, 2020 and 2019, the School District had \$19.7 million and \$20.3 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This represents a net decrease (including additions, disposals, and depreciation) of approximately \$0.6 million from 2019 to 2020.

	2020	2019
Land	\$ 1,767,883	\$ 1,732,004
Buildings and improvements	31,091,303	31,091,303
Furniture and equipment	2,077,568	2,041,582
Buses and other vehicles	104,508	99,369
Land improvements	2,749,215	2,660,049
Total capital assets	37,790,477	37,624,307
Less accumulated depreciation	18,108,356	17,293,400
Total capital assets - Net of accumulated depreciation	<u>\$ 19,682,121</u>	<u>\$ 20,330,907</u>

This year's additions of \$0.1 million included vehicles, cafeteria equipment, technology, building renovations, and new school buses. No major capital projects are planned for the 2020-2021 fiscal year. We anticipate capital additions will be comparable to this year. We present more detailed information about our capital assets in the notes to the financial statements.

# Madison District Public Schools

## Management's Discussion and Analysis (Continued)

### Debt

At the end of this year, the School District had \$9.9 million in bonds outstanding versus \$10.3 million in the previous year.

Those bonds consisted of the following:

	2020	2019
General obligation bonds	\$ 9,915,000	\$ 10,285,000

The School District's general obligation bond rating continues to be AA for local currency and A- for the credit program. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District does not have any outstanding unqualified general obligation debt.

Other obligations include accrued vacation pay, sick leave, and capital leases. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### ***Economic Factors and Next Year's Budgets and Rates***

Our elected officials and administration consider many factors when setting the School District's 2020-2021 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2020-2021 budget was adopted in June 2020 based on an estimate of students who will enroll in September 2020. The fiscal year 2021 foundation allowance for all districts is the same as the fiscal year 2020 foundation allowance. The minimum foundation allowance is \$8,111. Approximately 68.0 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2020 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2020-2021 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, including a foundation allowance of \$8,111.

### ***Contacting the School District's Management***

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office at (248) 399-7800 x 3402.

# Madison District Public Schools

## Statement of Net Position

June 30, 2020

	Governmental Activities
	<u>                    </u>
<b>Assets</b>	
Cash and investments (Note 4)	\$ 7,348,238
Receivables:	
Other receivables	81,038
Due from other governments	2,492,329
Prepaid expenses	4,893
Capital assets - Net (Note 6)	<u>19,682,121</u>
Total assets	29,608,619
<b>Deferred Outflows of Resources</b>	
Deferred pension costs (Note 13)	10,381,752
Deferred OPEB costs (Note 13)	<u>2,492,790</u>
Total deferred outflows of resources	12,874,542
<b>Liabilities</b>	
Accounts payable	357,630
Accrued liabilities and other	1,386,211
State aid anticipation note (Note 8)	2,208,339
Unearned revenue (Note 5)	14,450
Noncurrent liabilities:	
Due within one year (Note 9)	1,799,154
Due in more than one year:	
Compensated absences (Note 9)	141,612
Bonds payable (net of unamortized premiums and discounts) and capital leases (Note 9)	14,532,474
Contingent liability (Note 15)	2,086,970
Net pension liability (Note 13)	32,146,446
Net OPEB liability (Note 13)	<u>6,978,608</u>
Total liabilities	61,651,894
<b>Deferred Inflows of Resources</b>	
Revenue in support of pension contributions made subsequent to the measurement date (Note 13)	1,079,088
Deferred pension cost reductions (Note 13)	1,237,781
Deferred OPEB cost reductions (Note 13)	<u>2,733,799</u>
Total deferred inflows of resources	<u>5,050,668</u>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	8,649,377
Restricted - Debt service	660,656
Unrestricted	<u>(33,529,434)</u>
Total net position (deficit)	<u><u>\$ (24,219,401)</u></u>

# Madison District Public Schools

## Statement of Activities

Year Ended June 30, 2020

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 9,903,334	\$ 950	\$ 3,884,873	\$ (6,017,511)
Support services	8,467,774	-	1,669,616	(6,798,158)
Athletics	184,062	12,703	-	(171,359)
Food services	1,195,235	28,681	349,797	(816,757)
Community services	295,452	348,921	-	53,469
Interest	480,161	-	-	(480,161)
Other debt costs	38,166	-	-	(38,166)
<b>Total primary government</b>	<b>\$ 20,564,184</b>	<b>\$ 391,255</b>	<b>\$ 5,904,286</b>	<b>(14,268,643)</b>
General revenue:				
Taxes:				
Property taxes levied for general purposes				2,062,068
Property taxes levied for debt service				1,780,975
State aid not restricted to specific purposes				7,067,583
Interest and investment earnings				34,946
Other				669,874
<b>Total general revenue</b>				<b>11,615,446</b>
<b>Change in Net Position</b>				<b>(2,653,197)</b>
<b>Net Position (Deficit) - Beginning of year, as restated (Note 2)</b>				<b>(21,566,204)</b>
<b>Net Position (Deficit) - End of year</b>				<b>\$ (24,219,401)</b>

# Madison District Public Schools

## Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments (Note 4)	\$ 6,306,479	\$ 1,041,759	\$ 7,348,238
Receivables:			
Other receivables	81,038	-	81,038
Due from other governments	2,327,700	164,629	2,492,329
Prepaid expenses	4,893	-	4,893
	<u>\$ 8,720,110</u>	<u>\$ 1,206,388</u>	<u>\$ 9,926,498</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 330,882	\$ 26,748	\$ 357,630
Accrued liabilities and other	1,250,443	66,863	1,317,306
State aid anticipation note (Note 8)	2,208,339	-	2,208,339
Unearned revenue (Note 5)	14,450	-	14,450
<b>Deferred Inflows of Resources</b> - Unavailable revenue (Note 5)	311,066	-	311,066
	<u>4,115,180</u>	<u>93,611</u>	<u>4,208,791</u>
Total liabilities and deferred inflows of resources			
<b>Fund Balances</b>			
Nonspendable - Prepaid expenses	4,893	-	4,893
Restricted:			
Debt service	-	729,561	729,561
Food service	-	216,319	216,319
Committed - Student activities	-	166,897	166,897
Assigned:			
Subsequent year's budget	654,114	-	654,114
State supplemental payment (Note 9)	3,655,391	-	3,655,391
Unassigned	290,532	-	290,532
	<u>4,604,930</u>	<u>1,112,777</u>	<u>5,717,707</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,720,110</u>	<u>\$ 1,206,388</u>	<u>\$ 9,926,498</u>

# Madison District Public Schools

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

<b>Fund Balances Reported in Governmental Funds</b>	\$ 5,717,707
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	37,790,477
Accumulated depreciation	<u>(18,108,356)</u>
Net capital assets used in governmental activities	19,682,121
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	311,066
Bonds payable including associated discounts and premiums, school loan revolving fund capital lease obligations, and contingent liabilities are not due and payable in the current period and are not reported in the funds	(18,283,404)
Accrued interest is not due and payable in the current period and is not reported in the funds	(68,905)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(276,806)
Net pension liability and related deferred inflows and outflows	(23,002,475)
Net OPEB liability and related deferred inflows and outflows	(7,219,617)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(1,079,088)</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<b><u><u>\$ (24,219,401)</u></u></b>

# Madison District Public Schools

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2020**

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>			
Local sources	\$ 2,900,355	\$ 2,030,378	\$ 4,930,733
State sources	10,703,423	33,262	10,736,685
Federal sources	881,773	1,052,220	1,933,993
Interdistrict sources	520,330	-	520,330
Total revenue	15,005,881	3,115,860	18,121,741
<b>Expenditures</b>			
Current:			
Instruction	7,848,651	-	7,848,651
Support services	6,717,187	57,573	6,774,760
Athletics	152,688	-	152,688
Food services	-	1,031,510	1,031,510
Community services	31,245	217,738	248,983
Debt service:			
Principal	954,604	1,086,730	2,041,334
Interest	-	450,069	450,069
Other debt costs	38,091	75	38,166
Capital outlay	262,502	1,982	264,484
Total expenditures	16,004,968	2,845,677	18,850,645
<b>Other Financing Sources (Uses)</b>			
State supplemental payment (Note 9)	5,760,009	-	5,760,009
Transfers in (Note 7)	-	324,416	324,416
Transfers out (Note 7)	(324,416)	-	(324,416)
Total other financing sources	5,435,593	324,416	5,760,009
<b>Net Change in Fund Balances</b>	4,436,506	594,599	5,031,105
<b>Fund Balances - Beginning of year, as restated (Note 2)</b>	168,424	518,178	686,602
<b>Fund Balances - End of year</b>	<b>\$ 4,604,930</b>	<b>\$ 1,112,777</b>	<b>\$ 5,717,707</b>

# Madison District Public Schools

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2020

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 5,031,105</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	166,170
Depreciation expense	(814,956)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(217,436)
Revenue in support of pension contributions made subsequent to the measurement date	6,682
State supplemental payment, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(5,760,009)
Repayment of bond principal, School Loan Revolving Fund, state supplemental payment, and capital leases is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refunding are not expenses in the governmental funds	2,008,471
Interest expense is recognized in the government-wide statements as it accrues	2,771
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(3,075,995)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (2,653,197)</u></b>

June 30, 2020

### Note 1 - Nature of Business

Madison District Public Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

### Note 2 - Significant Accounting Policies

#### *Accounting and Reporting Principles*

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the School District:

#### *Reporting Entity*

The School District is governed by an elected seven-member board of education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

#### *Report Presentation*

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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 statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### *Fund Accounting*

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund type:

#### *Governmental Funds*

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The School District's only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

**Note 2 - Significant Accounting Policies (Continued)**

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. Any operating deficit generated by these activities is the responsibility of the General Fund. The School District's special revenue funds are the Food Service Fund, the Child Care Fund, and the Student Activity Fund.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

**Interfund Activity**

During the course of operations, the School 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, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and OPEB costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

**Specific Balances and Transactions**

**Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, except for investments in MILAF, which are valued at amortized cost.

**Inventories and Prepaid Items**

Inventories are valued at cost on a first-in, first-out basis. Inventories are recorded as expenditures when purchased for all inventories of governmental funds other than USDA commodities recorded in the Food Service Fund, which are recorded as expenditures when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements, when applicable.

**Note 2 - Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	15-40
Furniture and equipment	5-20
Vehicles	10
Land improvements	15

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses during the current period. Issuance costs are reported as debt service expenditures. The General Fund and the Debt Service Fund are generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School District reports deferred outflows related to pension and OPEB plan costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

**Net Position**

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Note 2 - Significant Accounting Policies (Continued)**

**Net Position Flow Assumption**

The School District will sometimes fund outlays for a particular purpose from both restricted 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 School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The School District will sometimes 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 School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School 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 School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing resolutions prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until another resolution is passed to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the superintendent to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only 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 either to remove or revise a commitment.

**Property Tax Revenue**

Property taxes are assessed as of June 30, and the related property taxes become a lien on the first day of the levy year and are due on or before September 30 or February 28. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by May 15. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**Note 2 - Significant Accounting Policies (Continued)**

**Grants and Contributions**

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

**Pension and Other Postemployment Benefits (OPEB) Plans**

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

**Compensated Absences (Vacation and Sick Leave)**

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds as it comes due for payment.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Adoption of New Accounting Pronouncement**

During the current year, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, student activities were previously reported as fiduciary activities but no longer meet the definition of such; therefore, these activities are now reported within a nonmajor governmental special revenue fund. The effect of this new standard on net position (deficit)/fund balance was as follows:

	<u>Governmental Activities</u>	<u>Nonmajor Funds</u>
Net position (deficit)/fund balance - June 30, 2019 - As previously reported	\$ (21,723,830)	\$ 360,552
Adjustment for GASB Statement No. 84 - To change fund type	<u>157,626</u>	<u>157,626</u>
Net position (deficit)/fund balance - June 30, 2019 - As restated	<u><u>\$ (21,566,204)</u></u>	<u><u>\$ 518,178</u></u>

**Note 2 - Significant Accounting Policies (Continued)**

***Upcoming Accounting Pronouncement***

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the School District's financial statements for the year ending June 30, 2021; however, the standard was delayed by one year as a result of GASB Statement No. 95 and are now effective for the School District's financial statements for the year ending June 30, 2022.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including November 24, 2020, which is the date the financial statements were available to be issued.

Following the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020 to combat the effects of the COVID-19 pandemic, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the School District received \$434,331 of these restricted CRF funds from the Michigan Department of Education. The CRF funds can be used only for eligible costs and are subject to certain Uniform Guidance and grant-specific reporting requirements.

**Note 3 - Stewardship, Compliance, and Accountability**

***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds except that capital outlay and debt service payments are budgeted in other expenditure categories. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

During the year, the School District incurred expenditures in the General Fund, which were in excess of the amounts budgeted, as follows:

	Budget	Actual
Debt service - Principal	\$ 68,489	\$ 954,604
Other financing uses - Transfers out	11,643	324,416
	\$ 80,132	\$ 1,279,020
Total	\$ 80,132	\$ 1,279,020

**Note 4 - Deposits and Investments**

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated three financial institutions for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost, except for a one-day minimum investment period on MILAF Cash Management funds and a 14-day redemption limitation on MILAF MAX Class funds. The MILAF investment accounts are treated as sweep accounts.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. At year end, the School District had no uninsured or uncollateralized deposits.

**Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2020, the School District does not have investments with custodial credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy minimizes interest rate risk by maintaining an acceptable level of liquidity to meet the School District's operating needs. At June 30, 2020, the School District does not have investments with custodial credit risk.

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy minimizes credit risk by investing in securities with authorized investment institutions and dealers that must establish eligibility by meeting certain requirements. As of June 30, 2020, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
<b>Primary Government</b>			
Michigan Liquid Asset Fund (MILAF) Cash Management Money Market Fund	\$ 3,905,949	AAAm	S&P
Michigan Liquid Asset Fund (MILAF) MAX Class Money Market Fund	3,605,702	AAAm	S&P
Total	<u>\$ 7,511,651</u>		

**Note 4 - Deposits and Investments (Continued)**

**Concentration of Credit Risk**

The School District's investment policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The School District does not have any investments subject to concentration of credit risk.

**Foreign Currency Risk**

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

**Note 5 - Unavailable/Unearned Revenue**

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2020, the various components of unearned and unavailable revenue were as follows:

	Deferred Inflow - Unavailable	Liability - Unearned	Total
Grant receivables unavailable for use in the current period	\$ 302,681	\$ -	\$ 302,681
Other	8,385	14,450	22,835
Total	<u>\$ 311,066</u>	<u>\$ 14,450</u>	<u>\$ 325,516</u>

**June 30, 2020**

**Note 6 - Capital Assets**

Capital asset activity of the School District's governmental activities was as follows:

**Governmental Activities**

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated - Land	\$ 1,732,004	\$ 35,879	\$ -	\$ 1,767,883
Capital assets being depreciated:				
Buildings and improvements	31,091,303	-	-	31,091,303
Furniture and equipment	2,041,582	35,986	-	2,077,568
Buses and other vehicles	99,369	5,139	-	104,508
Land improvements	2,660,049	89,166	-	2,749,215
Subtotal	35,892,303	130,291	-	36,022,594
Accumulated depreciation:				
Buildings and improvements	13,642,660	639,105	-	14,281,765
Furniture and equipment	1,094,196	125,159	-	1,219,355
Buses and other vehicles	71,796	5,321	-	77,117
Land improvements	2,484,748	45,371	-	2,530,119
Subtotal	17,293,400	814,956	-	18,108,356
Net capital assets being depreciated	18,598,903	(684,665)	-	17,914,238
Net governmental activities capital assets	<u>\$ 20,330,907</u>	<u>\$ (648,786)</u>	<u>\$ -</u>	<u>\$ 19,682,121</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Instruction	\$ 266,091
Support services	544,014
Food services	4,851
Total governmental activities	<u>\$ 814,956</u>

**Note 7 - Interfund Receivables, Payables, and Transfers**

Interfund receivables and payables result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. There were no interfund receivables or payables as of June 30, 2020.

June 30, 2020

**Note 7 - Interfund Receivables, Payables, and Transfers (Continued)**

A transfer of \$324,416 was made from the General Fund to the Child Care Fund to cover the operating deficit incurred by the Child Care Fund.

**Note 8 - Short-term Debt**

**State Aid Anticipation Note**

The School District has direct borrowings from the Michigan Finance Authority (the "Lender") to provide sufficient resources before receiving its scheduled state aid. This liability is recorded as a fund liability in the General Fund.

During the year, the School District repaid \$3,559,280 of these state aid anticipation notes (the "notes") and issued new notes totaling \$3,300,000, resulting in an outstanding balance plus accrued interest of \$2,208,339 at June 30, 2020. The new notes include (i) a principal amount of \$1,900,000 that bears interest at 1.3 percent and is due on August 20, 2020 and (ii) a principal amount of \$1,400,000 that bears interest at 1.3 percent, which is to be paid in five monthly principal increments of \$280,000 beginning in March 2020 through July 2020. At June 30, 2020, the School District has accrued interest of \$28,339 on these notes. These notes were paid off subsequent to year end through the issuance of a new series of notes.

Subsequent to year end, on August 20, 2020, the School District borrowed \$1,000,000 and \$514,000, respectively, in two series of state aid anticipation notes. The \$1,000,000 note bears interest not exceeding 0.25 percent and is due on August 20, 2021. The \$514,000 note bears interest not exceeding 0.70 percent and is due on July 20, 2021.

In the event of default, the notes are fully collateralized by the School District's future state aid funding, and the Lender has the authority to intercept state aid payments at its discretion. If the Lender has reason to believe that the School District will be unable to fulfill the required repayments, the Lender has the sole discretion to accelerate the principal and interest repayments.

**Note 9 - Long-term Debt**

**Governmental Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Direct borrowings and direct placements - School Loan Revolving Fund	\$ 2,050,278	\$ 62,749	\$ (747,893)	\$ 1,365,134	\$ -
Other debt - General obligation bonds	10,285,000	-	(370,000)	9,915,000	375,000
Unamortized bond premiums	110,390	-	(4,600)	105,790	4,600
Unamortized bond discounts	(141,035)	-	5,877	(135,158)	(5,877)
Total bonds payable	12,304,633	62,749	(1,116,616)	11,250,766	373,723
Capital leases	140,263	-	(68,489)	71,774	71,774
Compensated absences	295,785	116,215	(135,194)	276,806	135,194
State supplemental payment	-	5,760,009	(886,155)	4,873,854	1,218,463
Total governmental activities long-term debt	\$ 12,740,681	\$ 5,938,973	\$ (2,206,454)	\$ 16,473,200	\$ 1,799,154

**Note 9 - Long-term Debt (Continued)**

**General Obligation Bonds and Contracts**

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's bonds are qualified bonds and fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2020 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
<b>Governmental Activities</b>				
School Building and Site Bonds - due in annual installments of \$375,000 to \$495,000	2013	3.63% - 4.25%	2043	\$ 9,915,000

**State Supplemental Payment**

In December 2019, the School District received a non-interest-bearing supplemental payment from the State of Michigan totaling \$5,760,009. The supplemental payment must be repaid to the State of Michigan in payments totaling approximately \$886,000 in the current year, followed by four annual installments of approximately \$1,200,000, with the last installment due in October 2023. Repayments on this obligation are made as a reduction to the School District's state aid payments. As of June 30, 2020, the outstanding obligation related to this supplemental payment is \$4,873,854 and has been recorded in the government-wide statements. The outstanding obligation related to the supplemental payment, net of expected repayments budgeted for in the fiscal year 2021 budget, is presented in the General Fund governmental funds balance sheet as assigned fund balance.

**Other Long-term Liabilities**

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The net pension liability and the net OPEB liability will be liquidated from the funds from which employees' salaries are paid.

**Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 375,000	\$ 407,806	\$ 782,806
2022	380,000	392,806	772,806
2023	385,000	377,606	762,606
2024	390,000	362,206	752,206
2025	395,000	346,606	741,606
2026-2030	2,050,000	1,498,030	3,548,030
2031-2035	2,175,000	1,075,731	3,250,731
2036-2040	2,300,000	606,689	2,906,689
2041-2043	1,465,000	125,164	1,590,164
<b>Total</b>	<b>\$ 9,915,000</b>	<b>\$ 5,192,644</b>	<b>\$ 15,107,644</b>

**Note 9 - Long-term Debt (Continued)**

***School Loan Revolving Fund***

The School Loan Revolving Fund payable represents a direct borrowing from the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005 (the "Act"), as amended. The School Loan Revolving Fund is accessible to school districts for borrowings that initiated after July 19, 2005. Interest during the year ended June 30, 2020 ranged from 3.07 percent to 3.41 percent. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2049. If the School District fails to levy the appropriate debt mills in accordance with the agreement or defaults in loan repayment, the School District shall increase its debt levy in the next succeeding year, and a default late charge of 3 percent will apply. Due to the variability of the factors that affect the timing of repayment, including the future amount of state equalized value of property in the School District, no provision for repayment has been included in the above debt maturity schedule. If the School District is in default of the loan agreement, the State of Michigan may withhold state aid funding until repayment terms satisfactory to the State of Michigan have been made.

**Note 10 - Leases**

***Operating Leases***

The School District leases buses and copiers under noncancelable operating leases through 2023. Total costs for such leases were \$257,542 in the current year. The bus lease was entered into on March 29, 2019 and includes an annual fixed payment, plus \$0.55 per mile for each mile over 15,000 miles per vehicle on an annual basis. A new bus lease was entered into on February 20, 2020 and includes an annual fixed payment, plus \$0.55 per mile for each mile over 15,000 miles per vehicle on an annual basis. The future minimum lease payments for these leases are as follows:

Years Ending	Amount
2021	\$ 245,359
2022	204,099
2023	14,064
Total	<u>\$ 463,522</u>

***Capital Leases***

The School District leases computer equipment under a capital lease arrangement expiring in August 2020. The future minimum lease payments are as follows:

Year Ending	Amount
2021	\$ 72,898
Less amount representing interest	<u>1,124</u>
Present value	<u>\$ 71,774</u>

**Note 11 - Charter Agreement**

The School District has a five-year contract to charter KEYS Grace Academy (the "Academy") through June 30, 2025. The School District collects 3 percent of the Academy's state aid as part of the administrative fees. Total fees paid for the year ended June 30, 2020 were approximately \$126,000.

On July 1, 2018, the School District renewed a lease with the Academy in which the School District leases space to the Academy through the 2024-2025 fiscal year. Rental revenue collected for the year ended June 30, 2020 was approximately \$250,000. Future lease payments to be received are as follows:

2021	\$	265,000
2022		280,000
2023		300,000
2024		310,000
2025		320,000
		<hr/>
Total	\$	<u>1,475,000</u>

**Note 12 - Risk Management**

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

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**Note 13 - Michigan Public School Employees' Retirement System**

***Plan Description***

The School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools> or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

***Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

**Contributions**

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to retiree health care and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent 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 health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$2,569,717, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$1,079,088 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2020.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$657,941, which include the School District's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2020, the School District reported a liability of \$32,146,446 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School 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, 2019 and 2018, the School District's proportion was 0.097 and 0.094 percent, respectively, representing a change of 3.19 percent.

**Net OPEB Liability**

At June 30, 2020, the School District reported a liability of \$6,978,608 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School 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, 2019 and 2018, the School District's proportion was 0.097 and 0.098 percent, respectively, representing a change of (0.58) percent.

June 30, 2020

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

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

For 2020, the School District recognized pension expense of \$5,793,848, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 144,091	\$ (134,048)
Changes in assumptions	6,294,297	-
Net difference between projected and actual earnings on pension plan investments	-	(1,030,239)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	1,778,737	(73,494)
The School District's contributions to the plan subsequent to the measurement date	2,164,627	-
	<u>2,164,627</u>	<u>-</u>
Total	<u>\$ 10,381,752</u>	<u>\$ (1,237,781)</u>

The \$1,079,088 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2021	\$ 2,857,837
2022	2,236,274
2023	1,373,994
2024	511,239
Total	<u>\$ 6,979,344</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$313,123.

**June 30, 2020**

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (2,560,649)
Changes in assumptions	1,512,123	-
Net difference between projected and actual earnings on OPEB plan investments	-	(121,361)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	524,851	(51,789)
Employer contributions to the plan subsequent to the measurement date	455,816	-
Total	<u>\$ 2,492,790</u>	<u>\$ (2,733,799)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2021	\$ (190,261)
2022	(190,261)
2023	(129,695)
2024	(93,439)
2025	(93,169)
Total	<u>\$ (696,825)</u>

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2019 are based on the results of an actuarial valuation as of September 30, 2018 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

Significant assumption changes since the prior measurement date, September 30, 2018, for pension and OPEB include a reduction in both discount rates; continued impact of the updated experience study, which resulted in a lower than projected per person health benefit cost for OPEB; and favorable investment experience for both plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2018.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2019 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.50 %
Private equity pools	18.00	8.60
International equity pools	16.00	7.30
Fixed-income pools	10.50	1.20
Real estate and infrastructure pools	10.00	4.20
Absolute return pools	15.50	5.40
Short-term investment pools	2.00	0.80
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.3 percent.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's 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:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 41,792,437	\$ 32,146,446	\$ 24,149,588

June 30, 2020

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's 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:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 8,560,311	\$ 6,978,608	\$ 5,650,416

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the School District	\$ 5,594,107	\$ 6,978,608	\$ 8,560,124

***Pension Plan and OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

***Payable to the Pension Plan and OPEB Plan***

At June 30, 2020, the School District reported a payable of \$344,725 and \$62,330 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

**Note 14 - Tax Abatements**

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2020, there were no reductions to the School District's property tax revenue under these programs.

**Note 15 - Contingent Liabilities**

The School District is named a party to a number of lawsuits in the normal course of business. In the opinion of management, the resolution of these lawsuits will not have a material adverse effect on the School District's financial position or results of operations.

**June 30, 2020**

**Note 15 - Contingent Liabilities (Continued)**

The School District had a home-school program called the Madison Virtual Academy wherein certain students attended noncore classes at the School District, and the School District was able to claim a fraction of each student as it relates to membership for purposes of determining the amount of state aid that is received from the State of Michigan. The student counts are required to be audited by the intermediate school district on an annual basis. The intermediate school district has proposed negative audit adjustments in regard to the membership claimed in this program, which has been reported to the Michigan Department of Education (MDE) for the fiscal year ended June 30, 2018. The School District has appealed the adjustments, and the MDE has agreed not to reduce the School District's state aid payments while the audit adjustments are in appeal. As of November 24, 2020, this matter is still pending resolution. The School District is no longer running the Madison Virtual Academy. While the School District will continue to vigorously defend its position, it is probable that the appeal will not be in favor of the School District. While no final assessment has been reached, at June 30, 2020, the School District has recorded a contingent liability on the statement of net position in the amount of \$2,086,970 related to the fiscal year ended June 30, 2018, which is an estimate of the amount that the School District may be required to pay the MDE if the appeal is lost.

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## Required Supplemental Information

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# Madison District Public Schools

## Required Supplemental Information Budgetary Comparison Schedule General Fund

**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 2,482,973	\$ 2,691,097	\$ 2,900,355	\$ 209,258
State sources	15,830,001	11,045,186	10,703,423	(341,763)
Federal sources	911,323	1,463,932	881,773	(582,159)
Interdistrict and other sources	741,661	617,405	520,330	(97,075)
Total revenue	19,965,958	15,817,620	15,005,881	(811,739)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	5,845,646	6,865,439	6,530,431	(335,008)
Added needs	1,462,936	2,085,031	1,426,939	(658,092)
Total instruction	7,308,582	8,950,470	7,957,370	(993,100)
Support services:				
Pupil	1,259,852	1,077,341	930,568	(146,773)
Instructional staff	792,000	608,622	531,433	(77,189)
General administration	517,153	600,141	602,038	1,897
School administration	756,221	1,137,481	1,137,426	(55)
Business	741,513	476,236	451,688	(24,548)
Operations and maintenance	1,875,421	2,184,205	2,164,766	(19,439)
Pupil transportation services	926,758	878,960	856,634	(22,326)
Central	216,740	201,226	196,417	(4,809)
Total support services	7,085,658	7,164,212	6,870,970	(293,242)
Athletics	186,462	152,603	152,688	85
Community services	113,764	37,386	31,245	(6,141)
Debt service:				
Principal	-	68,489	954,604	886,115
Other debt costs	-	38,091	38,091	-
Total expenditures	14,694,466	16,411,251	16,004,968	(406,283)
<b>Other Financing Sources (Uses)</b>				
State supplemental payment	-	5,760,009	5,760,009	-
Transfers in	-	75,166	-	(75,166)
Transfers out	-	(11,643)	(324,416)	(312,773)
Total other financing sources	-	5,823,532	5,435,593	(387,939)
<b>Net Change in Fund Balance</b>	5,271,492	5,229,901	4,436,506	(793,395)
<b>Fund Balance - Beginning of year</b>	168,424	168,424	168,424	-
<b>Fund Balance - End of year</b>	<u>\$ 5,439,916</u>	<u>\$ 5,398,325</u>	<u>\$ 4,604,930</u>	<u>\$ (793,395)</u>

## Madison District Public Schools

### Required Supplemental Information Schedule of Proportionate Share of Net Pension Liability Michigan Public School Employees' Retirement System

	Last Six Plan Years					
	Plan Years Ended September 30					
	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.09707 %	0.09407 %	0.08910 %	0.08330 %	0.08170 %	0.08030 %
School District's proportionate share of the net pension liability	\$32,146,446	\$28,279,988	\$23,088,825	\$20,779,106	\$19,957,428	\$17,677,711
School District's covered payroll	\$ 8,562,824	\$ 8,368,553	\$ 7,678,086	\$ 7,192,113	\$ 6,767,142	\$ 6,939,057
School District's proportionate share of the net pension liability as a percentage of its covered payroll	375.42 %	337.93 %	300.71 %	288.92 %	294.92 %	254.76 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	62.12 %	64.21 %	63.27 %	63.17 %	66.20 %

## Madison District Public Schools

### Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	Last Six Fiscal Years Years Ended June 30					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 2,505,300	\$ 2,667,086	\$ 2,089,798	\$ 1,546,040	\$ 1,828,012	\$ 1,356,628
Contributions in relation to the statutorily required contribution	2,505,300	2,667,086	2,089,798	1,546,040	1,828,012	1,356,628
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	<b>\$ 7,526,940</b>	<b>\$ 8,776,299</b>	<b>\$ 8,126,286</b>	<b>\$ 7,499,230</b>	<b>\$ 6,423,616</b>	<b>\$ 6,730,909</b>
<b>Contributions as a Percentage of Covered Payroll</b>	33.28 %	30.39 %	25.72 %	20.62 %	28.46 %	20.16 %

## Madison District Public Schools

### Required Supplemental Information Schedule of Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

	Last Three Plan Years Plan Years Ended September 30		
	2019	2018	2017
School District's proportion of the net OPEB liability	0.09723 %	0.09779 %	0.08890 %
School District's proportionate share of the net OPEB liability	\$ 6,978,608	\$ 7,773,473	\$ 7,870,750
School District's covered payroll	\$ 8,562,824	\$ 8,368,553	\$ 7,678,086
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.50 %	92.89 %	102.51 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.39 %

**Madison District Public Schools**

Required Supplemental Information  
Schedule of OPEB Contributions  
Michigan Public School Employees' Retirement System

	<b>Last Three Fiscal Years</b>		
	<b>Years Ended June 30</b>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 604,835	\$ 689,380	\$ 596,354
Contributions in relation to the statutorily required contribution	<u>604,835</u>	<u>689,380</u>	<u>596,354</u>
<b>Contribution Excess</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>School District's Covered Payroll</b>	\$ 7,526,940	\$ 8,776,299	\$ 8,126,286
<b>Contributions as a Percentage of Covered Payroll</b>	8.04 %	7.86 %	7.34 %

June 30, 2020

### ***Pension Information***

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

### **Benefit Changes**

There were no changes of benefit terms for each of the reported plan years ended September 30.

### **Changes in Assumptions**

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

### ***OPEB Information***

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

### **Benefit Changes**

There were no changes of benefit terms for each of the reported plan years ended September 30.

### **Changes in Assumptions**

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

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## Other Supplemental Information

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**Madison District Public Schools**

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

**June 30, 2020**

	Special Revenue Funds				Total
	Food Service Fund	Child Care Fund	Student Activity Fund	Debt Service Fund	
<b>Assets</b>					
Cash and investments	\$ 143,406	\$ -	\$ 168,792	\$ 729,561	\$ 1,041,759
Receivables - Due from other governments	164,629	-	-	-	164,629
Total assets	<b>\$ 308,035</b>	<b>\$ -</b>	<b>\$ 168,792</b>	<b>\$ 729,561</b>	<b>\$ 1,206,388</b>
<b>Liabilities</b>					
Accounts payable	\$ 24,853	\$ -	\$ 1,895	\$ -	\$ 26,748
Accrued liabilities and other	66,863	-	-	-	66,863
Total liabilities	91,716	-	1,895	-	93,611
<b>Fund Balances</b>					
Restricted:					
Debt service	-	-	-	729,561	729,561
Food service	216,319	-	-	-	216,319
Committed - Student activities	-	-	166,897	-	166,897
Total fund balances	216,319	-	166,897	729,561	1,112,777
Total liabilities and fund balances	<b>\$ 308,035</b>	<b>\$ -</b>	<b>\$ 168,792</b>	<b>\$ 729,561</b>	<b>\$ 1,206,388</b>

**Madison District Public Schools**

Other Supplemental Information  
Combining Statement of Revenue, Expenditures, and Changes in  
Fund Balances  
Nonmajor Governmental Funds

**Year Ended June 30, 2020**

	Special Revenue Funds			Debt Service Fund	Total
	Food Service Fund	Child Care Fund	Student Activity Fund		
<b>Revenue</b>					
Local sources	\$ 53,632	\$ 143,241	\$ 39,355	\$ 1,794,150	\$ 2,030,378
State sources	33,262	-	-	-	33,262
Federal sources	1,052,220	-	-	-	1,052,220
<b>Total revenue</b>	<b>1,139,114</b>	<b>143,241</b>	<b>39,355</b>	<b>1,794,150</b>	<b>3,115,860</b>
<b>Expenditures</b>					
Current:					
Support services	-	27,489	30,084	-	57,573
Food services	1,031,510	-	-	-	1,031,510
Community services	-	217,738	-	-	217,738
Debt service:					
Principal	-	-	-	1,086,730	1,086,730
Interest	-	-	-	450,069	450,069
Other debt costs	-	-	-	75	75
Capital outlay	1,982	-	-	-	1,982
<b>Total expenditures</b>	<b>1,033,492</b>	<b>245,227</b>	<b>30,084</b>	<b>1,536,874</b>	<b>2,845,677</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>105,622</b>	<b>(101,986)</b>	<b>9,271</b>	<b>257,276</b>	<b>270,183</b>
<b>Other Financing Sources (Uses) - Transfer in</b>	<b>-</b>	<b>324,416</b>	<b>-</b>	<b>-</b>	<b>324,416</b>
<b>Net Change in Fund Balances</b>	<b>105,622</b>	<b>222,430</b>	<b>9,271</b>	<b>257,276</b>	<b>594,599</b>
<b>Fund Balances - Beginning of year, as restated</b>	<b>110,697</b>	<b>(222,430)</b>	<b>157,626</b>	<b>472,285</b>	<b>518,178</b>
<b>Fund Balances - End of year</b>	<b>\$ 216,319</b>	<b>\$ -</b>	<b>\$ 166,897</b>	<b>\$ 729,561</b>	<b>\$ 1,112,777</b>

**Madison District Public Schools**

**Other Supplemental Information  
Schedule of Bonded Indebtedness**

**June 30, 2020**

Years Ending June 30	2013 School Building and Site Bonds		Total
	Principal	Interest	
2021	\$ 375,000	\$ 407,806	\$ 782,806
2022	380,000	392,806	772,806
2023	385,000	377,606	762,606
2024	390,000	362,206	752,206
2025	395,000	346,606	741,606
2026	400,000	330,806	730,806
2027	405,000	316,306	721,306
2028	410,000	300,106	710,106
2029	415,000	283,706	698,706
2030	420,000	267,106	687,106
2031	425,000	250,306	675,306
2032	430,000	233,306	663,306
2033	435,000	215,569	650,569
2034	440,000	197,625	637,625
2035	445,000	178,925	623,925
2036	450,000	160,013	610,013
2037	455,000	140,888	595,888
2038	460,000	121,550	581,550
2039	465,000	102,000	567,000
2040	470,000	82,238	552,238
2041	480,000	62,263	542,263
2042	490,000	41,863	531,863
2043	495,000	21,038	516,038
Total remaining payments	<b>\$ 9,915,000</b>	<b>\$ 5,192,644</b>	<b>\$ 15,107,644</b>
Principal payments due	May 1		
Interest payments due	May and November 1		
Interest rate	3.63% to 4.25%		
Original issue	<b>\$ 11,400,000</b>		