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# Madison District Public Schools

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**Financial Report  
with Supplemental Information  
June 30, 2021**

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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 funds, and the aggregate remaining fund information of Madison District Public Schools (the "School District") as of and for the year ended June 30, 2021 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 funds, and the aggregate remaining fund information of Madison District Public Schools as of June 30, 2021 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 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 1, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Madison District Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison District Public Schools' internal control over financial reporting and compliance.



November 1, 2021

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, 2021. 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 funds, the General Fund and the Debt Service 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, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 9.1	\$ 9.9
Capital assets	19.3	19.7
Total assets	28.4	29.6
<b>Deferred Outflows of Resources</b>	10.1	12.9
<b>Liabilities</b>		
Current liabilities	3.0	3.9
Noncurrent liabilities	16.5	18.6
Net pension liability	29.9	32.1
Net OPEB liability	4.3	7.0
Total liabilities	53.7	61.6
<b>Deferred Inflows of Resources</b>	7.7	5.1
<b>Net Position (Deficit)</b>		
Net investment in capital assets	9.8	8.6
Restricted	0.4	0.7
Unrestricted	(33.1)	(33.5)
Total net position (deficit)	<b>\$ (22.9)</b>	<b>\$ (24.2)</b>

## Madison District Public Schools

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

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 \$(22.9) million at June 30, 2021. Net investment in capital assets totaling \$9.8 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 (\$(33.1) million) was unrestricted.

The \$(33.1) 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.

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, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.1	\$ 0.4
Operating grants	7.2	5.9
General revenue:		
Taxes	4.0	3.8
State aid not restricted to specific purposes	6.9	7.1
Other	1.2	0.8
Total revenue	19.4	18.0
<b>Expenses</b>		
Instruction	9.1	9.9
Support services	7.4	8.5
Athletics	0.1	0.2
Food services	1.0	1.2
Community services	0.1	0.3
Debt service	0.4	0.5
Total expenses	18.1	20.6
<b>Change in Net Position</b>	1.3	(2.6)
<b>Net Position (Deficit) - Beginning of year</b>	(24.2)	(21.6)
<b>Net Position (Deficit) - End of year</b>	<b><u>\$(22.9)</u></b>	<b><u>\$(24.2)</u></b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$18.1 million. Certain activities were partially funded from those who benefited from the programs (\$0.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7.2 million). We paid for the remaining public benefit portion of our governmental activities with \$4.0 million in taxes, \$6.9 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net deficit of \$1.3 million.

## Madison District Public Schools

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

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 \$5.8 million, which is an increase of \$0.1 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance is \$4.7 million. The main reason for the fund balance is that the School District was given a supplemental payment in a previous year that will need to be paid back over four years (three remaining years) instead of all the money owed for the loss of students to be paid back at that time. The future payments have been assigned in the General Fund. During the current year, the fund balance increased nearly \$100,000, mostly due to the School District's conservative spending policies.

The fund balance of our special revenue funds increased from \$0.4 million last year to \$0.6 million this year as a result of conservative spending patterns within our special revenue funds.

The fund balance of our Debt Service Fund decreased by \$0.3 million. Millage rates were decreased during the year due to bonds expiring, as well as our bond refunding activities, which impacted the Debt Service Fund fund balance. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue related debt service. The Debt Service Fund fund balance is restricted since it can only be used 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 2021. 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 2020-2021 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.

In regard to the final budget and actual amounts, although school districts planned to receive ESSER II and ESSER III grant funds before the June 30, 2021 revenue cutoff deadline, these funds were not available via the Michigan Department of Education database to be applied for until August 31, 2021, which was too late to meet revenue recognition requirements in fiscal year 2021. ESSER II revenue was budgeted in the amount of \$1.2 million, and ESSER III revenue was budgeted for \$2.8 million, creating a variance of \$4 million in revenue. Expenditures were monitored and reduced during the year to ensure they did not exceed revenue.

# Madison District Public Schools

## Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

#### Capital Assets

As of June 30, 2021 and 2020, the School District had \$19.3 million and \$19.7 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 \$0.4 million from 2020 to 2021.

	2021	2020
Land	\$ 1,767,883	\$ 1,767,883
Buildings and improvements	31,113,859	31,091,303
Furniture and equipment	2,116,748	2,077,568
Buses and other vehicles	104,508	104,508
Land improvements	3,179,444	2,749,215
Total capital assets	38,282,442	37,790,477
Less accumulated depreciation	18,963,081	18,108,356
Total capital assets - Net of accumulated depreciation	<u>\$ 19,319,361</u>	<u>\$ 19,682,121</u>

This year's additions of \$0.5 million included cafeteria equipment, technology, equipment, and new school buses. Capital projects are planned for the 2021-2022 fiscal year, in the event our November 2, 2021 bond proposal passes. We anticipate capital additions will be comparable to this year unless the bond passes. We present more detailed information about our capital assets in the notes to the financial statements.

#### Debt

At the end of this year, the School District had \$10.4 million in bonds outstanding versus \$9.9 million in the previous year.

Those bonds consisted of the following:

	2021	2020
General obligation bonds	\$ 10,400,000	\$ 9,915,000

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 2021-2022 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 2021-2022 budget was adopted in June 2021 based on an estimate of students who will enroll in September 2021. The fiscal year 2021 foundation allowance for all districts has increased slightly over the prior year. The minimum foundation allowance is \$8,700, approximately \$589 more per pupil than the prior year. Approximately 62.6 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 2021 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2021-2022 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.

## Madison District Public Schools

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

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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 increase of \$589 per pupil.

#### ***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, 2021

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 4)	\$ 5,915,607
Receivables:	
Other receivables	223,277
Due from other governments	2,473,755
Prepaid expenses	7,893
Restricted assets	464,117
Capital assets - Net (Note 6)	<u>19,319,361</u>
Total assets	28,404,010
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding (Note 9)	906,760
Deferred pension costs (Note 13)	6,937,099
Deferred OPEB costs (Note 13)	<u>2,274,958</u>
Total deferred outflows of resources	10,118,817
<b>Liabilities</b>	
Accounts payable	331,388
Accrued liabilities and other	1,494,911
State aid anticipation note	1,163,415
Unearned revenue (Note 5)	14,450
Noncurrent liabilities:	
Due within one year (Note 9)	2,123,657
Due in more than one year:	
Compensated absences (Note 9)	138,296
Bonds payable and state supplemental payment (Note 9)	12,066,967
Contingent liability (Note 15)	2,086,970
Net pension liability (Note 13)	29,923,549
Net OPEB liability (Note 13)	<u>4,326,107</u>
Total liabilities	53,669,710
<b>Deferred Inflows of Resources</b>	
Revenue in support of pension contributions made subsequent to the measurement date (Note 13)	1,059,302
Deferred pension cost reductions (Note 13)	2,255,540
Deferred OPEB cost reductions (Note 13)	<u>4,414,052</u>
Total deferred inflows of resources	<u>7,728,894</u>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	9,826,121
Restricted - Debt service	417,658
Unrestricted	<u>(33,119,556)</u>
Total net position (deficit)	<u><u>\$ (22,875,777)</u></u>

# Madison District Public Schools

## Statement of Activities

Year Ended June 30, 2021

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	\$ 9,141,794	\$ -	\$ 3,855,534	\$ (5,286,260)
Support services	7,412,662	-	2,153,791	(5,258,871)
Athletics	119,612	-	-	(119,612)
Food services	956,305	179	1,157,186	201,060
Community services	44,439	129,606	-	85,167
Interest	235,906	-	-	(235,906)
Other debt costs	151,933	-	-	(151,933)
Total primary government	<b>\$ 18,062,651</b>	<b>\$ 129,785</b>	<b>\$ 7,166,511</b>	(10,766,355)
General revenue:				
Taxes:				
Property taxes levied for general purposes				2,074,782
Property taxes levied for debt service				1,888,474
State aid not restricted to specific purposes				6,942,317
Interest and investment earnings				6,037
Other				1,198,369
Total general revenue				12,109,979
<b>Change in Net Position</b>				1,343,624
<b>Net Position (Deficit) - Beginning of year</b>				(24,219,401)
<b>Net Position (Deficit) - End of year</b>				<b>\$ (22,875,777)</b>

# Madison District Public Schools

## Governmental Funds Balance Sheet

June 30, 2021

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 4)	\$ 5,415,466	\$ -	\$ 500,141	\$ 5,915,607
Receivables:				
Other receivables	223,277	-	-	223,277
Due from other governments	2,314,611	-	159,144	2,473,755
Prepaid expenses	7,893	-	-	7,893
Restricted assets (Note 2)	-	464,117	-	464,117
	<u>\$ 7,961,247</u>	<u>\$ 464,117</u>	<u>\$ 659,285</u>	<u>\$ 9,084,649</u>
Total assets				
<b>Liabilities</b>				
Accounts payable	\$ 317,204	\$ -	\$ 14,184	\$ 331,388
Accrued liabilities and other	1,441,477	-	6,975	1,448,452
State aid anticipation note	1,163,415	-	-	1,163,415
Unearned revenue (Note 5)	14,450	-	-	14,450
<b>Deferred Inflows of Resources</b> - Unavailable revenue (Note 5)	327,483	-	-	327,483
	<u>3,264,029</u>	<u>-</u>	<u>21,159</u>	<u>3,285,188</u>
Total liabilities and deferred inflows of resources				
<b>Fund Balances</b>				
Nonspendable - Prepaid expenses	7,893	-	-	7,893
Restricted:				
Debt service	-	464,117	-	464,117
Food service	-	-	463,533	463,533
Committed - Student activities	-	-	174,593	174,593
Assigned - State supplemental payment (Note 9)	3,655,430	-	-	3,655,430
Unassigned	1,033,895	-	-	1,033,895
	<u>4,697,218</u>	<u>464,117</u>	<u>638,126</u>	<u>5,799,461</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,961,247</u>	<u>\$ 464,117</u>	<u>\$ 659,285</u>	<u>\$ 9,084,649</u>

# Madison District Public Schools

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

June 30, 2021

<b>Fund Balances Reported in Governmental Funds</b>	\$ 5,799,461
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	38,282,442
Accumulated depreciation	<u>(18,963,081)</u>
Net capital assets used in governmental activities	19,319,361
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	327,483
Deferred outflows related to bond refundings are not reported in the funds	906,760
Bonds payable and contingent liabilities are not due and payable in the current period and are not reported in the funds	(16,142,400)
Accrued interest is not due and payable in the current period and is not reported in the funds	(46,459)
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	(273,490)
Net pension liability and related deferred inflows and outflows	(25,241,990)
Net OPEB liability and related deferred inflows and outflows	(6,465,201)
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>(1,059,302)</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<b><u><u>\$ (22,875,777)</u></u></b>

**Madison District Public Schools**

**Governmental Funds**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**

**Year Ended June 30, 2021**

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 3,391,990	\$ 1,888,936	\$ 24,906	\$ 5,305,832
State sources	10,289,315	-	42,281	10,331,596
Federal sources	1,736,657	-	1,114,905	2,851,562
Interdistrict sources	881,082	-	-	881,082
Total revenue	16,299,044	1,888,936	1,182,092	19,370,072
<b>Expenditures</b>				
Current:				
Instruction	7,638,414	-	-	7,638,414
Support services	7,053,181	-	16,685	7,069,866
Athletics	109,132	-	-	109,132
Food services	-	-	888,210	888,210
Community services	41,086	-	-	41,086
Debt service:				
Principal	1,286,919	1,750,528	-	3,037,447
Interest	-	251,277	-	251,277
Other debt costs	16,750	135,183	-	151,933
Capital outlay	61,274	-	22,287	83,561
Total expenditures	16,206,756	2,136,988	927,182	19,270,926
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of bonds (Note 9)	-	9,635,000	-	9,635,000
Payment to bond refunding escrow agent (Note 9)	-	(9,652,392)	-	(9,652,392)
Total other financing uses	-	(17,392)	-	(17,392)
<b>Net Change in Fund Balances</b>	92,288	(265,444)	254,910	81,754
<b>Fund Balances - Beginning of year</b>	4,604,930	729,561	383,216	5,717,707
<b>Fund Balances - End of year</b>	<b>\$ 4,697,218</b>	<b>\$ 464,117</b>	<b>\$ 638,126</b>	<b>\$ 5,799,461</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, 2021**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 81,754</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	491,965
Depreciation expense	(854,725)
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	16,417
Revenue in support of pension contributions made subsequent to the measurement date	19,786
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(9,635,000)
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	12,682,764
Interest expense is recognized in the government-wide statements as it accrues	22,446
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	(1,481,783)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 1,343,624</u></b>

**June 30, 2021**

**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.

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

***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 reports the following funds as major governmental funds:

- The General Fund 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.
- The Debt Service Fund that is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

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 (primary revenue source of food sales and federal grants) and the Student Activity Fund (primary revenue source from fundraising and donations earned and received by student groups).

**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.

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

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.

**Restricted Assets**

The following amounts are reported as restricted assets:

- Unspent property taxes levied held in the Debt Service Fund required to be set aside for future bond principal and interest payments

**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.

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

**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 deferred charges on bond refunding and 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 unavailable revenue, 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.

**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).

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

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.

**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 they come due for payment.

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

**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.

**Upcoming Accounting Pronouncements**

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 ended June 30, 2021; however, the standard was delayed by one year as a result of GASB Statement No. 95 and is now effective for the School District's financial statements for the year ending June 30, 2022.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The School District does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

**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.

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**

The School District did not have significant expenditure budget variances.

**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. Redemptions made prior to the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed. 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, 2021, 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, 2021, 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, 2021, the credit quality ratings of investments (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	\$ 4,596,302	AAAm	Moody's
Michigan Liquid Asset Fund (MILAF) MAX Class Money Market Fund	<u>2,199,828</u>	AAAm	Moody's
Total	<u>\$ 6,796,130</u>		

June 30, 2021

**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, 2021, 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	\$ 327,483	\$ -	\$ 327,483
Other	-	14,450	14,450
Total	<u>\$ 327,483</u>	<u>\$ 14,450</u>	<u>\$ 341,933</u>

**June 30, 2021**

**Note 6 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated - Land	\$ 1,767,883	\$ -	\$ -	\$ 1,767,883
Capital assets being depreciated:				
Buildings and improvements	31,091,303	22,556	-	31,113,859
Furniture and equipment	2,077,568	39,180	-	2,116,748
Buses and other vehicles	104,508	-	-	104,508
Land improvements	2,749,215	430,229	-	3,179,444
Subtotal	36,022,594	491,965	-	36,514,559
Accumulated depreciation:				
Buildings and improvements	14,281,765	641,896	-	14,923,661
Furniture and equipment	1,219,355	129,040	-	1,348,395
Buses and other vehicles	77,117	5,321	-	82,438
Land improvements	2,530,119	78,468	-	2,608,587
Subtotal	18,108,356	854,725	-	18,963,081
Net capital assets being depreciated	17,914,238	(362,760)	-	17,551,478
Net governmental activities capital assets	<u>\$ 19,682,121</u>	<u>\$ (362,760)</u>	<u>\$ -</u>	<u>\$ 19,319,361</u>

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

Governmental activities:	
Instruction	\$ 598,308
Support services	239,323
Food services	17,094
Total governmental activities	<u>\$ 854,725</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, 2021.

**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.

June 30, 2021

**Note 8 - Short-term Debt (Continued)**

During the year, the School District repaid \$2,530,000 of these state aid anticipation notes (the "notes") and issued new notes totaling \$1,514,000, resulting in an outstanding balance plus accrued interest of \$1,163,415 at June 30, 2021. The new notes include (i) a principal amount of \$1,000,000 that bears interest at 0.25 percent and is due on August 20, 2021 and (ii) a principal amount of \$514,000 that bears interest at 0.70 percent, which is to be paid in three monthly principal increments ranging of approximately \$171,000 beginning in May 2021 through July 2021. These notes were paid off subsequent to year end through the issuance of a new series of notes.

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.

In August 2021, the School District borrowed \$1,025,000 and \$690,000, respectively, in two series of state aid anticipation notes. The \$1,025,000 note bears interest at a rate of 0.12 percent and is due in August 2022. The \$690,000 note bears interest at a rate of 0.11 percent, is paid in seven monthly principal installments of approximately \$98,000, and is due in July 2022. The notes have similar terms and provisions as the notes outstanding at June 30, 2021.

**Note 9 - Long-term Debt**

**Governmental Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Long-term debt:					
Direct borrowings and direct placements - School Loan Revolving Fund	\$ 1,365,134	\$ 34,968	\$ (1,400,102)	\$ -	\$ -
Other debt - General obligation bonds	9,915,000	9,635,000	(9,150,000)	10,400,000	770,000
Unamortized bond premiums	105,790	-	(105,790)	-	-
Unamortized bond discounts	(135,158)	-	135,158	-	-
Total long-term debt	11,250,766	9,669,968	(10,520,734)	10,400,000	770,000
Capital leases	71,774	-	(71,774)	-	-
Compensated absences	276,806	131,878	(135,194)	273,490	135,194
Direct borrowing - State supplemental payment	4,873,894	-	(1,218,464)	3,655,430	1,218,463
Total governmental activities long-term debt	\$ 16,473,240	\$ 9,801,846	\$ (11,946,166)	\$ 14,328,920	\$ 2,123,657

The School District had deferred outflows of \$906,760 related to deferred charges on bond refundings at June 30, 2021.

**June 30, 2021**

**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, 2021 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
<b>Governmental Activities</b>				
2013 School Building and Site Bonds - Due in annual installments of \$380,000 to \$385,000	2013	4.00%	2023	\$ 765,000
2021 Refunding Bonds - Due in annual installments of \$35,000 to \$485,000	2021	0.33% - 3.08%	2043	9,635,000

**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 first year, followed by four annual installments of approximately \$1,218,000, 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, 2021, the outstanding obligation related to this supplemental payment is \$3,655,430 and has been recorded in the government-wide statements. The outstanding obligation related to the supplemental payment, 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
2022	\$ 770,000	\$ 264,694	\$ 1,034,694
2023	420,000	234,150	654,150
2024	415,000	218,610	633,610
2025	415,000	216,326	631,326
2026	420,000	212,094	632,094
2027-2031	2,205,000	956,700	3,161,700
2032-2036	2,385,000	696,860	3,081,860
2037-2041	2,400,000	363,940	2,763,940
2042-2043	970,000	44,808	1,014,808
Total	\$ 10,400,000	\$ 3,208,182	\$ 13,608,182

**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, 2021 was 3.00 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. The School Loan Revolving Fund was repaid during the current year.

***Advance Bond Refunding***

During the year, the School District issued \$9,635,000 in general obligation bonds with an average interest rate of 2.65 percent. The proceeds of these bonds were used to advance refund \$8,775,000 of outstanding 2013 bonds with an average interest rate of 4.18 percent. The net proceeds of approximately \$9.5 million (after payment of \$132,608 in underwriting fees, insurance, and other issuance costs) plus an additional \$150,000 of Debt Service Fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The advance refunding reduced total debt service payments over the next 20 years by approximately \$748,000, which represents an economic gain of approximately \$593,000.

**Note 10 - Leases**

***Operating Leases***

The School District leases buses and copiers under noncancelable operating leases through 2023. Total costs for such leases were \$259,703 in the current year. Certain bus leases include 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
2022	\$ 204,099
2023	14,064
Total	<u>\$ 218,163</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 received for the year ended June 30, 2021 were approximately \$134,000.

**Note 11 - Charter Agreement (Continued)**

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, 2021 was approximately \$265,000. Future lease payments to be received are as follows:

2022	\$	280,000
2023		300,000
2024		310,000
2025		320,000
		320,000
Total	\$	1,210,000

On September 22, 2021, the School District sold the building and land that was being leased to the Academy for \$1.3 million.

**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>.

***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.

June 30, 2021

**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 the 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 participants 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 accounts 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) accounts.

June 30, 2021

**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, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

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, 2021 were \$2,415,363, which includes 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 \$1,059,302 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, 2021.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2021 were \$593,788, which includes the School District's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2021, the School District reported a liability of \$29,923,549 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. 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, 2020 and 2019, the School District's proportion was 0.087 and 0.097 percent, respectively, representing a change of (10.26) percent.

**Net OPEB Liability**

At June 30, 2021, the School District reported a liability of \$4,326,107 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2021 was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. 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, 2020 and 2019, the School District's proportion was 0.081 and 0.097 percent, respectively, representing a change of (16.94) percent.

**June 30, 2021**

**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 2021, the School District recognized pension expense of \$4,520,251, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 457,207	\$ (63,867)
Changes in assumptions	3,315,818	-
Net difference between projected and actual earnings on pension plan investments	125,725	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	986,497	(2,191,673)
The School District's contributions to the plan subsequent to the measurement date	2,051,852	-
Total	<u>\$ 6,937,099</u>	<u>\$ (2,255,540)</u>

The \$1,059,302 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, 2022. 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
2022	\$ 1,710,082
2023	907,586
2024	111,183
2025	(99,144)
Total	<u>\$ 2,629,707</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, 2021, the School District recognized OPEB recovery of \$213,991.

**June 30, 2021**

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (3,223,354)
Changes in assumptions	1,426,403	-
Net difference between projected and actual earnings on OPEB plan investments	36,106	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	386,604	(1,190,698)
Employer contributions to the plan subsequent to the measurement date	425,845	-
Total	<u>\$ 2,274,958</u>	<u>\$ (4,414,052)</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
2022	\$ (572,547)
2023	(522,253)
2024	(501,936)
2025	(515,986)
2026	(452,217)
Total	<u>\$ (2,564,939)</u>

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2020 are based on the results of an actuarial valuation as of September 30, 2019 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	7.0%	Year 1, graded to 3.5% in year 15, 3.0% in year 120
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.

June 30, 2021

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

Significant assumption changes since the prior measurement date, September 30, 2019, for the OPEB plan include a reduction in the health care cost trend rate of 0.50 percentage points, and the actual per person health benefit costs were lower than projected. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2019.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2020 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2020. 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	25.00 %	5.60 %
Private equity pools	16.00	9.30
International equity pools	15.00	7.40
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	4.90
Absolute return pools	9.00	3.20
Real return/opportunistic pools	12.50	6.60
Short-term investment pools	2.00	(0.10)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.1 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	\$ 38,730,958	\$ 29,923,549	\$ 22,624,170

June 30, 2021

**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	\$ 5,557,376	\$ 4,326,107	\$ 3,289,481

***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 (6.00%)	Current Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the School District	\$ 3,249,791	\$ 4,326,107	\$ 5,550,283

***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, 2021, the School District reported a payable of \$369,421 and \$75,826 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021.

**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, 2021, 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, 2021**

**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 1, 2021, 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, 2021, 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, 2021**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 2,604,468	\$ 3,431,763	\$ 3,391,990	\$ (39,773)
State sources	10,229,968	11,493,221	10,289,315	(1,203,906)
Federal sources	1,129,217	4,990,030	1,736,657	(3,253,373)
Interdistrict and other sources	764,253	840,509	881,082	40,573
Total revenue	14,727,906	20,755,523	16,299,044	(4,456,479)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	5,758,987	7,586,447	6,424,863	(1,161,584)
Added needs	2,010,284	1,635,302	1,257,405	(377,897)
Total instruction	7,769,271	9,221,749	7,682,268	(1,539,481)
Support services:				
Pupil	1,121,721	1,026,055	997,598	(28,457)
Instructional staff	767,744	810,747	512,809	(297,938)
General administration	504,231	557,720	555,722	(1,998)
School administration	978,736	1,256,353	1,246,266	(10,087)
Business	613,755	574,156	483,680	(90,476)
Operations and maintenance	2,002,838	2,478,262	2,406,143	(72,119)
Pupil transportation services	1,010,546	670,301	527,353	(142,948)
Central	328,961	632,621	341,030	(291,591)
Total support services	7,328,532	8,006,215	7,070,601	(935,614)
Athletics	186,232	187,753	109,132	(78,621)
Community services	86,143	59,494	41,086	(18,408)
Debt service	11,843	1,267,789	1,303,669	35,880
Total expenditures	15,382,021	18,743,000	16,206,756	(2,536,244)
<b>Net Change in Fund Balance</b>	(654,115)	2,012,523	92,288	(1,920,235)
<b>Fund Balance - Beginning of year</b>	4,604,930	4,604,930	4,604,930	-
<b>Fund Balance - End of year</b>	<b>\$ 3,950,815</b>	<b>\$ 6,617,453</b>	<b>\$ 4,697,218</b>	<b>\$ (1,920,235)</b>

## Madison District Public Schools

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

	<b>Last Seven Plan Years</b>						
	<b>Plan Years Ended September 30</b>						
	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.08711 %	0.09707 %	0.09407 %	0.08910 %	0.08330 %	0.08170 %	0.08030 %
School District's proportionate share of the net pension liability	\$ 29,923,549	\$ 32,146,446	\$ 28,279,988	\$ 23,088,825	\$ 20,779,106	\$ 19,957,428	\$ 17,677,711
School District's covered payroll	\$ 7,220,933	\$ 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	414.40 %	375.42 %	337.93 %	300.71 %	288.92 %	294.92 %	254.76 %
Plan fiduciary net position as a percentage of total pension liability	59.49 %	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

	<b>Last Seven Fiscal Years</b>						
	<b>Years Ended June 30</b>						
	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 2,376,640	\$ 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	<u>2,376,640</u>	<u>2,505,300</u>	<u>2,667,086</u>	<u>2,089,798</u>	<u>1,546,040</u>	<u>1,828,012</u>	<u>1,356,628</u>
<b>Contribution Excess</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>School District's Covered Payroll</b>	\$ 6,756,074	\$ 7,526,940	\$ 8,776,299	\$ 8,126,286	\$ 7,499,230	\$ 6,423,616	\$ 6,730,909
<b>Contributions as a Percentage of Covered Payroll</b>	35.18 %	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

	<b>Last Four Plan Years</b>			
	<b>Plan Years Ended September 30</b>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.08075 %	0.09723 %	0.09779 %	0.08890 %
School District's proportionate share of the net OPEB liability	\$ 4,326,107	\$ 6,978,608	\$ 7,773,473	\$ 7,870,750
School District's covered payroll	\$ 7,220,933	\$ 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	59.91 %	81.50 %	92.89 %	102.51 %
Plan fiduciary net position as a percentage of total OPEB liability	59.76 %	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 Four Fiscal Years</b>			
	<b>Years Ended June 30</b>			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 562,224	\$ 604,835	\$ 689,380	\$ 596,354
Contributions in relation to the statutorily required contribution	<u>562,224</u>	<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><u>\$ -</u></b>
<b>School District's Covered Payroll</b>	\$ 6,756,074	\$ 7,526,940	\$ 8,776,299	\$ 8,126,286
<b>Contributions as a Percentage of Covered Payroll</b>	8.32 %	8.04 %	7.86 %	7.34 %

June 30, 2021

### ***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:

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.
- 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, 2021**

	Special Revenue Funds		Total
	Food Service Fund	Student Activity Fund	
<b>Assets</b>			
Cash and investments	\$ 325,389	\$ 174,752	\$ 500,141
Receivables - Due from other governments	159,144	-	159,144
Total assets	<b>\$ 484,533</b>	<b>\$ 174,752</b>	<b>\$ 659,285</b>
<b>Liabilities</b>			
Accounts payable	\$ 14,184	-	\$ 14,184
Accrued liabilities and other	6,816	159	6,975
Total liabilities	21,000	159	21,159
<b>Fund Balances</b>			
Restricted - Food service	463,533	-	463,533
Committed - Student activities	-	174,593	174,593
Total fund balances	463,533	174,593	638,126
Total liabilities and fund balances	<b>\$ 484,533</b>	<b>\$ 174,752</b>	<b>\$ 659,285</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, 2021**

	Special Revenue Funds		Total
	Food Service Fund	Student Activity Fund	
<b>Revenue</b>			
Local sources	\$ 525	\$ 24,381	\$ 24,906
State sources	42,281	-	42,281
Federal sources	1,114,905	-	1,114,905
Total revenue	1,157,711	24,381	1,182,092
<b>Expenditures</b>			
Current:			
Support services	-	16,685	16,685
Food services	888,210	-	888,210
Capital outlay	22,287	-	22,287
Total expenditures	910,497	16,685	927,182
<b>Net Change in Fund Balances</b>	247,214	7,696	254,910
<b>Fund Balances - Beginning of year</b>	216,319	166,897	383,216
<b>Fund Balances - End of year</b>	<b>\$ 463,533</b>	<b>\$ 174,593</b>	<b>\$ 638,126</b>

**Madison District Public Schools**

**Other Supplemental Information  
Schedule of Bonded Indebtedness**

**June 30, 2021**

Years Ending June 30	2013 School Building and Site Bonds		2021 Refunding Bonds		Total
	Principal	Interest	Principal	Interest	
2022	\$ 380,000	\$ 30,600	\$ 390,000	\$ 234,094	\$ 1,034,694
2023	385,000	15,400	35,000	218,750	654,150
2024	-	-	415,000	218,610	633,610
2025	-	-	415,000	216,326	631,326
2026	-	-	420,000	212,094	632,094
2027	-	-	425,000	206,927	631,927
2028	-	-	430,000	200,000	630,000
2029	-	-	440,000	192,260	632,260
2030	-	-	450,000	183,548	633,548
2031	-	-	460,000	173,964	633,964
2032	-	-	470,000	163,384	633,384
2033	-	-	475,000	152,104	627,104
2034	-	-	480,000	140,228	620,228
2035	-	-	480,000	127,124	607,124
2036	-	-	480,000	114,020	594,020
2037	-	-	480,000	100,916	580,916
2038	-	-	480,000	86,852	566,852
2039	-	-	480,000	72,788	552,788
2040	-	-	480,000	58,724	538,724
2041	-	-	480,000	44,660	524,660
2042	-	-	485,000	29,876	514,876
2043	-	-	485,000	14,933	499,933
Total remaining payments	<u>\$ 765,000</u>	<u>\$ 46,000</u>	<u>\$ 9,635,000</u>	<u>\$ 3,162,182</u>	<u>\$ 13,608,182</u>
Principal payments due	May 1		May 1		
Interest payments due	May and November 1		May and November 1		
Interest rate	4.00%		0.33% to 3.08%		
Original issue	<u>\$ 11,400,000</u>		<u>\$ 9,635,000</u>		