Madison District Public Schools

Year Ended June 30, 2022

Financial Statements and Single Audit Act Compliance

Rehmann

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MADISON DISTRICT PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

December 5, 2022

Board of Education
Madison District Public Schools
Madison Heights, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Madison District Public Schools*** (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combining fund financial statements are 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 December 5, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

Rehmann Robson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MADISON DISTRICT PUBLIC SCHOOLS

Management's Discussion and Analysis

As management of Madison District Public Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

Financial Highlights

· Total net position	$ (19,227,495)
· Change in total net position	3,648,282
· Fund balances, governmental funds	16,880,196
· Change in fund balances, governmental funds	11,080,735
· Unassigned fund balance, general fund	2,247,670
· Change in fund balance, general fund	(9,883)
· General obligation bonds outstanding	19,660,000
· Change in general obligation bonds	9,260,000
· Capital assets, net	17,897,056

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing* of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues *(governmental activities).* The governmental activities of the District include instruction, support services (including athletics and food service), and community service.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Management's Discussion and Analysis

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of fund revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the 2022 capital projects fund, which are the District's major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided herein to demonstrate compliance with the general fund budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the fund financial statement section of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Management's Discussion and Analysis

Government-wide Financial Analysis

The statement of net position provides the perspective of the District as a whole. A summary of the District's net position as of the current and prior fiscal years ended June 30 is as follows:

	Net Position	
	2022	2021
Assets		
Current and other assets	$ 19,900,501	$ 9,084,649
Capital assets, net	17,897,056	19,319,361
Total assets	37,797,557	28,404,010
Deferred outflows of resources	6,823,320	10,118,817
Liabilities		
Long-term debt	23,600,595	14,328,920
Current and other liabilities	24,576,963	39,340,790
Total liabilities	48,177,558	53,669,710
Deferred inflows of resources	15,670,814	7,728,894
Net position		
Net investment in capital assets	9,064,720	9,826,121
Restricted	498,063	417,658
Unrestricted (deficit)	(28,790,278)	(33,119,556)
Total net position	$ (19,227,495)	$ (22,875,777)

The District is required to report its proportionate share of the MPSERS net pension liability and net other postemployment benefits liability on the statement of net position. This results in a negative total net position of governmental activities of $19.2 million. Of this amount, $(28.8 million) is unrestricted net position (deficit) and $0.5 million represents resources that are subject to external restrictions on how they may be used. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

Management's Discussion and Analysis

	Change in Net Position 2022	2021
Revenues		
Program revenues:		
Charges for services	$ 75,468	$ 129,785
Operating grants and contributions	5,117,129	7,166,511
General revenues:		
Property taxes	3,068,710	3,963,256
State school aid	8,012,517	6,942,317
Other	1,422,282	1,204,406
Total revenues	17,696,106	19,406,275
Expenses		
Instruction	5,527,211	8,543,486
Supporting services	6,996,268	8,232,162
Community service	87,769	44,439
Interest on long-term debt	670,981	387,839
Unallocated depreciation	765,595	854,725
Total expenses	14,047,824	18,062,651
Change in net position	3,648,282	1,343,624
Net position, beginning of year	(22,875,777)	(24,219,401)
Net position, end of year	$ (19,227,495)	$ (22,875,777)

As reported in the statement of activities, the cost of all of the District's governmental activities this year was $14.0 million. Certain activities were partially funded from those who benefited from the programs which totaled $0.1 million. Activities funded by other governments and organizations that subsidized certain programs with grants and contributions totaled $5.1 million. The District paid for the remaining “public benefit” portion of governmental activities with $3.1 million in taxes, $8.0 in unrestricted state aid, and $1.4 with other revenues, (i.e., interest income, gain on the sale of capital assets, and unrestricted grants and contributions). The District experienced an increase in net position of $3.6 million during the current year. The increase in net position was primarily the result of a decrease in the net pension and net OPEB liabilities and related deferrals, driven by strong investment performance during the plan year. The net change in the District's net pension and net OPEB liabilities are recognized in expense in the statement of activities.

District revenues decreased by $1.7 million for fiscal year 2022. This was primarily the result of (1) the District ending its contractual lease relationship with KEYS Grace Academy after selling the Edison building to the Academy during the year, (2) a lower levied millage for debt than in previous years, and (3) certain one-time federal grants for COVID relief which were not received in the current fiscal year.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $16.9 million, an increase of $11.1 million from the prior year. Approximately 13.3% of this total amount constitutes *unassigned fund balance,* which is available for spending at the District's discretion. The remainder of fund balance is nonspendable ($2,698), restricted ($12.0 million), committed ($0.2 million), or assigned ($2.4 million).

General Fund. The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $2.2 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned and total fund balance represent approximately 13% and 28%, respectively, of total general fund expenditures.

During the current fiscal year, the fund balance in the District's general fund decreased by $9,883. This is largely due to several factors including (1) conservative budgeting by the District for expenditures, (2) expected expenditure of federal awards which will not occur until fiscal year 2023 based on the timing of grant awards and (3) proceeds from the sale of the Edison building during the fiscal year. These offsetting effects resulted in a largely flat change in fund balance for fiscal year 2022.

Debt Service Fund. Fund balance for this fund was $266,768 as of June 30, 2022, which is restricted for future principal and interest payments on long-term debt.

2022 Capital Projects Fund. Fund balance for this fund was $11,321,019 as of June 30, 2022, which is restricted for future capital projects.

General Fund Budgetary Highlights

The District adopts its original budget in June, prior to the start of the fiscal year. This budget requires amendments due to the timing of its preparation in relation to knowledge surrounding revenue sources which will be available to the District.

The final amended revenue budget was $876,623 greater than the original budget. The final amended expenditure budget was $2,603,900 greater than the original budget. Actual results were more unfavorable than expected and the ending fund balance was less than anticipated final amended budget amounts by $170,224. The unfavorable results were primarily due to (1) ESSER III revenue built into the 2022 budget which will not be realized until 2023 based on the timing of grant awards, and (2) the end of the District's partnership with KEYS Grace Academy during the year after the District sold the Edison building to the Academy, ending their contractual lease relationship.

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2022, totaled $17,897,056 (net of accumulated depreciation). This investment in capital assets includes the following:

	District's Capital Assets (net of depreciation)	
	2022	2021
Land	$ 1,767,883	$ 1,767,883
Buildings and improvements	14,759,763	16,190,198
Land improvements	540,007	570,857
Furniture and equipment	815,737	768,353
Buses and other vehicles	13,666	22,070
Total	$ 17,897,056	$ 19,319,361

The major capital asset additions during the current fiscal year included the following:

- Technology equipment for both students and staff.

Additional information on the District's capital assets can be found in footnotes of the financial statements.

Long-term Debt. At the end of the current fiscal year, the District had total bonded debt outstanding of $19,660,000.

The District's total bonded debt increased by $9,260,000 during the current fiscal year due to the issuance of new 2022 building and site bonds offset by regularly scheduled bond principal payments.

Additional information on the District's long-term debt can be found in the footnotes of the financial statements.

Management's Discussion and Analysis

Factors Bearing on the District's Future

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2022-23 fiscal year:

- For 2022-23 one of the main sources of funding continues to be COVID related grant dollars - specifically ESSER III - 11t. The District has built the remainder of ESSER III into the 2022-23 budget.

- When building the District's budget, one of the first considerations is the state aid funding and increase or decrease in foundation allowance. The District had good reason to assume a foundation allowance increase of up towards $400 per pupil in 2022-23. The actual increase amount was set at $450 per pupil which will most likely result in a revenue increase at the time of budget amendment assuming no other decreases.

- Along with building in foundation allowance assumptions, the District must also take student count into consideration. Madison saw a substantial dip in FTE during the 2021-22 fiscal year. As a result, District administration prioritized marketing for growth in student count. For the 2022-23 budget the District opted to assume an increase that would put enrollment at approximately 900 students.

- The District is fortunate to have the upmost support from the Madison Heights community. In 2021, the 2022 school building and site bonds were passed allowing the District to make some much needed infrastructure improvements. With the additional funding of bond dollars, the District is able to allocate more of the general fund budget towards direct support for the students and staff.

- With the MEA, MAA, IUOE 324, and AFSCME Local 1468 contracts all being previously negotiated, the only union contract that is expiring during the 2022-23 year is our AFSCME Paraprofessional group. With potential contract increase parameters not known when developing the 2022-23 budget, the District will need to build any increase into its budget amendments during the year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 26550 John R Road, Madison Heights, MI 48071.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MADISON DISTRICT PUBLIC SCHOOLS

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Cash and investments	$ 17,632,931
Receivables	2,264,872
Prepaids	2,698
Capital assets not being depreciated	1,767,883
Capital assets being depreciated, net	16,129,173
Total assets	37,797,557
Deferred outflows of resources	
Deferred charge on refunding	863,581
Deferred pension amounts	4,251,811
Deferred other postemployment benefit amounts	1,707,928
Total deferred outflows of resources	6,823,320
Liabilities	
Accounts payable and accrued liabilities	1,676,121
State aid note payable	1,124,908
Unearned revenue	206,920
Long-term debt:	
Due within one year	1,768,348
Due in more than one year	21,832,247
Contingent liability	2,086,970
Net pension liability (due in more than one year)	18,340,277
Net other postemployment benefit liability (due in more than one year)	1,141,767
Total liabilities	48,177,558
Deferred inflows of resources	
Deferred pension amounts	9,855,744
Deferred other postemployment benefit amounts	5,604,527
Deferred lease amounts	210,543
Total deferred inflows of resources	15,670,814
Net position	
Net investment in capital assets	9,064,720
Restricted for food service	429,482
Restricted for debt service	68,581
Unrestricted (deficit)	(28,790,278)
Total net position	$ (19,227,495)

The accompanying notes are an integral part of these financial statements.

MADISON DISTRICT PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2022

		Program Revenues		
Functions / Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Net (Expense) Revenue**
Governmental activities				
Instruction:				
Basic programs	$ 3,707,103	$ -	$ 1,954,255	$ (1,752,848)
Added needs	1,820,108	-	1,979,013	158,905
Total instruction	5,527,211	-	3,933,268	(1,593,943)
Support services:				
Pupil	848,081	-	-	(848,081)
Instructional services	403,493	-	-	(403,493)
General administration	477,287	-	-	(477,287)
School administration	1,060,530	-	-	(1,060,530)
Business	356,318	-	-	(356,318)
Maintenance	1,846,161	-	-	(1,846,161)
Transportation	716,120	-	486	(715,634)
Central services	378,789	-	-	(378,789)
Athletics	102,527	-	-	(102,527)
Food service	763,723	31,230	833,093	100,600
Student/school activity	43,239	44,238	-	999
Total supporting services	6,996,268	75,468	833,579	(6,087,221)
Community service	87,769	-	350,282	262,513
Interest on long-term debt	670,981	-	-	(670,981)
Unallocated depreciation	765,595	-	-	(765,595)
Total governmental activities	$ 14,047,824	$ 75,468	$ 5,117,129	$ (8,855,227)

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MADISON DISTRICT PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2022

	Governmental Activities
Change in net position	
Net expense	$ (8,855,227)
General revenues	
Property taxes	3,068,710
State school aid	8,012,517
Unrestricted investment earnings	3
Grants and contributions not restricted to specific programs	1,009,292
Gain on sale of capital assets	412,987
Total general revenues	12,503,509
Change in net position	3,648,282
Net position, beginning of year	(22,875,777)
Net position, end of year	$ (19,227,495)

concluded.

The accompanying notes are an integral part of these financial statements.

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FUND FINANCIAL STATEMENTS

MADISON DISTRICT PUBLIC SCHOOLS

Balance Sheet

Governmental Funds
June 30, 2022

	General Fund	Debt Service Fund	2022 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 5,430,515	$ 266,768	$ 11,331,903	$ 603,745	$ 17,632,931
Accounts receivable	111,930	-	-	-	111,930
Due from other governments	1,938,351	-	-	4,048	1,942,399
Lease receivable	210,543	-	-	-	210,543
Prepaid items	2,698	-	-	-	2,698
Total assets	$ 7,694,037	$ 266,768	$ 11,331,903	$ 607,793	$ 19,900,501
Liabilities					
Accounts payable	$ 101,844	$ -	$ 10,884	$ 2,386	$ 115,114
Accrued salaries and related liabilities	1,362,487	-	-	333	1,362,820
Unearned revenue	206,920	-	-	-	206,920
State aid note payable	1,124,908	-	-	-	1,124,908
Total liabilities	2,796,159	-	10,884	2,719	2,809,762
Deferred inflows of resources					
Deferred lease amounts	210,543	-	-	-	210,543
Fund balances					
Nonspendable	2,698	-	-	-	2,698
Restricted	-	266,768	11,321,019	429,482	12,017,269
Committed	-	-	-	175,592	175,592
Assigned	2,436,967	-	-	-	2,436,967
Unassigned	2,247,670	-	-	-	2,247,670
Total fund balances	4,687,335	266,768	11,321,019	605,074	16,880,196
Total liabilities, deferred inflows of resources, and fund balances	$ 7,694,037	$ 266,768	$ 11,331,903	$ 607,793	$ 19,900,501

The accompanying notes are an integral part of these financial statements.

MADISON DISTRICT PUBLIC SCHOOLS

Reconciliation
Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2022

Fund balances - total governmental funds	$ 16,880,196
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 therefore are not reported in the funds.	
Capital assets not being depreciated	1,767,883
Capital assets being depreciated, net	16,129,173
Certain liabilities, such as bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and state supplemental payment	(22,096,967)
Unamortized bond premium	(1,356,936)
Unamortized charge on refunding	863,581
Accrued interest payable on bonds	(198,187)
Accrued compensated absences	(146,692)
Contingent liability	(2,086,970)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability and the net other postemployment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(18,340,277)
Deferred outflows related to the net pension liability	4,251,811
Deferred inflows related to the net pension liability	(9,855,744)
Net other postemployment benefit liability	(1,141,767)
Deferred outflows related to the net other postemployment benefit liability	1,707,928
Deferred inflows related to the net other postemployment benefit liability	(5,604,527)
Net position of governmental activities	$ (19,227,495)

The accompanying notes are an integral part of these financial statements.

MADISON DISTRICT PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Debt Service Fund	2022 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources:					
Property taxes	$ 2,074,261	$ 994,449	$ -	$ -	$ 3,068,710
Other sources	668,708	-	-	75,468	744,176
Interdistrict sources	690,866	-	-	-	690,866
State sources	8,840,912	-	-	28,138	8,869,050
Federal sources	3,432,842	-	-	804,955	4,237,797
Interest	-	3	-	-	3
Total revenues	15,707,589	994,452	-	908,561	17,610,602
Expenditures					
Current:					
Instruction:					
Basic programs	5,606,461	-	-	-	5,606,461
Added needs	2,425,385	-	-	-	2,425,385
Total instruction	8,031,846	-	-	-	8,031,846
Support services:					
Pupil	1,124,676	-	-	-	1,124,676
Instructional services	514,854	-	-	-	514,854
General administration	561,155	-	-	-	561,155
School administration	1,446,650	-	-	-	1,446,650
Business	474,643	-	-	-	474,643
Maintenance	2,120,549	-	-	-	2,120,549
Transportation	865,170	-	-	-	865,170
Central services	406,356	-	-	-	406,356
Athletics	138,753	-	-	-	138,753
Food service	-	-	-	868,067	868,067
Student/school activity	-	-	-	43,239	43,239
Total support services	7,652,806	-	-	911,306	8,564,112
Community services	88,837	-	-	-	88,837
Debt service:					
Principal	1,218,464	769,999	-	-	1,988,463
Interest and fiscal charges	20,804	421,802	-	-	442,606
Bond issuance costs	-	-	90,007	-	90,007
Total debt service	1,239,268	1,191,801	90,007	-	2,521,076
Capital outlay	-	-	32,449	30,307	62,756

continued...

MADISON DISTRICT PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Debt Service Fund	2022 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Total expenditures	$ 17,012,757	$ 1,191,801	$ 122,456	$ 941,613	$ 19,268,627
Revenues under expenditures	(1,305,168)	(197,349)	(122,456)	(33,052)	(1,658,025)
Other financing sources					
Issuance of long-term debt	-	-	10,030,000	-	10,030,000
Premium on issuance of long-term debt	-	-	1,413,475	-	1,413,475
Proceeds from sale of capital assets	1,295,285	-	-	-	1,295,285
Total other financing sources	1,295,285	-	11,443,475	-	12,738,760
Net change in fund balances	(9,883)	(197,349)	11,321,019	(33,052)	11,080,735
Fund balances, beginning of year	4,697,218	464,117	-	638,126	5,799,461
Fund balances, end of year	$ 4,687,335	$ 266,768	$ 11,321,019	$ 605,074	$ 16,880,196

concluded.

The accompanying notes are an integral part of these financial statements.

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MADISON DISTRICT PUBLIC SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds to
Change in Net Position of Governmental Activities
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds	$ 11,080,735
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, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Purchase/acquisition of capital assets	225,588
Depreciation expense	(765,595)
Proceeds from sale of capital assets	(1,295,285)
Gain on sale of capital asset	412,987
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	
Proceeds from the issuance of long-term debt	(10,030,000)
Premium on issuance of long-term debt	(1,413,475)
Principal payments on long-term debt	1,988,463
Amortization of deferred charge on refunding	(43,179)
Amortization of bond premium	56,539
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Net change in unavailable revenue	(327,483)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in the net pension liability and related deferred amounts	2,357,082
Change in the net other postemployment benefit liability and related deferred amounts	1,426,835
Change in accrual for accrued compensated absences	126,798
Change in accrued interest payable	(151,728)
Change in net position of governmental activities	$ 3,648,282

The accompanying notes are an integral part of these financial statements.

MADISON DISTRICT PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	$ 986,232	$ 2,027,760	$ 2,074,261	$ 46,501
Other	1,333,549	1,448,549	668,708	(779,841)
Interdistrict sources	796,253	968,650	690,866	(277,784)
State sources	10,214,018	9,063,337	8,840,912	(222,425)
Federal sources	5,048,076	5,746,455	3,432,842	(2,313,613)
Interest	22,000	22,000	-	(22,000)
Total revenues	18,378,128	19,254,751	15,707,589	(3,547,162)
Expenditures				
Current:				
Instruction:				
Basic programs	7,686,308	7,262,820	5,606,461	(1,656,359)
Added needs	1,635,302	2,754,243	2,425,385	(328,858)
Total instruction	9,321,610	10,017,063	8,031,846	(1,985,217)
Support services:				
Pupil	1,026,055	1,215,878	1,124,676	(91,202)
Instructional services	804,486	670,776	514,854	(155,922)
General administration	557,720	679,695	561,155	(118,540)
School administration	1,256,353	1,423,731	1,446,650	22,919
Business	612,256	615,795	474,643	(141,152)
Maintenance	2,647,723	2,704,102	2,120,549	(583,553)
Transportation	670,301	905,036	865,170	(39,866)
Central services	632,621	622,441	406,356	(216,085)
Athletics	187,753	187,215	138,753	(48,462)
Total support services	8,395,268	9,024,669	7,652,806	(1,371,863)
Community services	59,494	110,148	88,837	(21,311)
Debt service:				
Principal	-	1,228,392	1,218,464	(9,928)
Interest and fiscal charges	-	-	20,804	20,804
Total debt service	-	1,228,392	1,239,268	10,876
Total expenditures	17,776,372	20,380,272	17,012,757	(3,367,515)
Revenues over (under) expenditures	601,756	(1,125,521)	(1,305,168)	(179,647)
Other financing sources (uses)				
Proceeds from sale of capital assets	-	1,295,790	1,295,285	(505)
Transfers out	(11,225)	(9,928)	-	(9,928)
Total other financing sources (uses)	(11,225)	1,285,862	1,295,285	9,423
Net change in fund balance	590,531	160,341	(9,883)	(170,224)
Fund balance, beginning of year	4,166,853	4,697,218	4,697,218	-
Fund balance, end of year	$ 4,757,384	$ 4,857,559	$ 4,687,335	$ (170,224)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Madison District Public Schools (the "District") have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

The District is an independent entity with an elected Board of Education. The Board consists of seven members and has the authority to levy taxes and determine its budget, the power to designate management, and primary accountability for fiscal matters. The financial statements of the District contain all funds controlled by the District's Board of Education.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The District reports the following major governmental funds:

The *general fund* is used to account for all financial resources not accounted for and reported in another fund.

The *debt service fund* is used to account for all financial resources restricted to expenditure for principal and interest.

The *2022 capital projects fund* is used to account for financial resources from bond activity restricted to expenditure for the acquisition or construction of capital assets.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

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

The District's investments in the Michigan Liquid Assets Fund (MILAF) are recorded at amortized cost.

Receivables and Payables

The District follows the practice of recording revenues that have been earned but not yet received as receivables. Receivables consist primarily of State Aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Leases

Lessor. The District is a lessor for a noncancellable lease of communications equipment. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The District uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the District wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	15-40
Improvements other than buildings	5-15
Furniture and equipment	5-20
Buses and other vehicles	10

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Compensated Absences

It is the District’s policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when incurred in the government-wide financial statements. Sick pay is accrued for the estimated amount that the 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 the governmental funds as they come due for payment.

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 straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources related to pension and other postemployment benefit liabilities.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government’s highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Superintendent or designee. *Unassigned fund balance* is the residual classification for the general fund and for any fund deficits in other governmental funds.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District’s policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Pensions and Other Postemployment Benefits

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 56.3 percent of the District's general fund revenue during the 2022 fiscal year.

3. BUDGETARY COMPLIANCE

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis.

All annual appropriations lapse at fiscal year end.

During the year ended June 30, 2022, the District incurred expenditures in excess of appropriated amounts as follows:

	Final Budget	Actual	Over Budget
General fund			
Current -			
Supporting services -			
School administration	$ 1,423,731	$ 1,446,650	$ 22,919
Debt service -			
Interest and fiscal charges	-	20,804	20,804

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

Statement of Net Position	
Cash and investments	$ 17,632,931
Deposits and investments	
Investments - Michigan Liquid Asset Fund (MILAF)	$ 17,632,931

Statutory Authority

State statutes authorize the District to invest in:

a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than five years after the purchase dates.

b. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investments:

Investment	Maturity	Amortized Cost	Rating
MILAF - Cash management and MAX Class	N/A	$ 17,632,931	AAAm S&P

Deposit and Investment Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, the District had no uninsured or uncollateralized deposits.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimized this risk by prequalifying the financial institutions, brokers/dealers, intermediaries, and advisors to be in compliance with the requirement set forth in the District's investment policy. None of the District's investments are subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Credit Risk. State law limits investments to specific government securities, certificates of deposits, and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for the District's investments as of June 30, 2022 are identified above.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District did not have any investments subject to interest rate risk.

5. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Nonmajor Governmental Funds	Total
Accounts receivable	$ 111,930	$ -	$ 111,930
Due from other governments	1,938,351	4,048	1,942,399
Lease receivable	210,543	-	210,543
	$ 2,260,824	$ 4,048	$ 2,264,872
Amount not expected to be collected within one year	$ 196,701	$ -	$ 196,701

Notes to Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated -					
Land	$ 1,767,883	$ -	$ -	$ -	$ 1,767,883
Capital assets, being depreciated:					
Buildings and improvements	31,113,859	35,729	(2,740,684)	(22,556)	28,386,348
Land improvements	3,179,444	-	-	-	3,179,444
Furniture and equipment	2,116,748	189,859	-	22,556	2,329,163
Buses and other vehicles	104,508	-	-	-	104,508
	36,514,559	225,588	(2,740,684)	-	33,999,463
Less accumulated depreciation for:					
Buildings and improvements	(14,923,661)	(561,310)	1,858,386	-	(13,626,585)
Land improvements	(2,608,587)	(30,850)	-	-	(2,639,437)
Furniture and equipment	(1,348,395)	(165,031)	-	-	(1,513,426)
Buses and other vehicles	(82,438)	(8,404)	-	-	(90,842)
	(18,963,081)	(765,595)	1,858,386	-	(17,870,290)
Total capital assets being depreciated, net	17,551,478	(540,007)	(882,298)	-	16,129,173
Governmental activities capital assets, net	$ 19,319,361	$ (540,007)	$ (882,298)	$ -	$ 17,897,056

Depreciation expense of $765,595 was charged to the function unallocated depreciation and not allocated to other functions.

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	2022 Capital Projects Fund	Nonmajor Governmental Funds	Total
Fund Financial Statements				
Accounts payable	$ 101,844	$ 10,884	$ 2,386	$ 115,114
Accrued salaries and related liabilities	1,362,487	-	333	1,362,820
	$ 1,464,331	$ 10,884	$ 2,719	1,477,934
Government-wide Financial Statements				
Accrued interest on long-term debt				198,187
				$ 1,676,121

8. LONG-TERM DEBT

The following is a summary of bond, note, and compensated absences transactions of the District for the year ended June 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	$ 10,400,000	$ 10,030,000	$ (770,000)	$ 19,660,000	$ 420,000
Unamortized bond premium	-	1,413,475	(56,539)	1,356,936	56,539
Direct borrowing - State supplemental payment	3,655,430	-	(1,218,463)	2,436,967	1,218,463
Compensated absences	273,490	68,373	(195,171)	146,692	73,346
	$ 14,328,920	$ 11,511,848	$ (2,240,173)	$ 23,600,595	$ 1,768,348

Compensated absences are typically liquidated by the general fund.

State Supplemental Payment - In December 2019, the 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 District's state aid payments. As of June 30, 2022, the outstanding obligation related to this supplemental payment is $2,436,967, 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.

At June 30, 2022 the District had deferred outflows of resources related to deferred charges on bond refundings of $863,581.

Bonds payable at June 30, 2022, are comprised of the following issues:

General Obligation Bonds

$11,400,000 2013 Building and Site Bonds, due in annual installments of $380,000 to $385,000 through 2023; interest at 1.50% to 4.25%.	$ 385,000
$9,635,000 2021 Refunding Bonds, due in annual installments of $35,000 to $485,000 through 2043; interest at 0.33% to 3.08%.	9,245,000
$10,030,000 2022 Building and Site Bonds, due in annual installments of $255,000 to $540,000 through 2046; interest at 4.00%.	10,030,000
	$ 19,660,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2023	$ 420,000	$ 692,187	$ 1,112,187
2024	670,000	619,810	1,289,810
2025	685,000	607,326	1,292,326
2026	715,000	592,294	1,307,294
2027	740,000	575,328	1,315,328
2028-2032	4,035,000	2,554,756	6,589,756
2033-2037	4,705,000	1,883,592	6,588,592
2038-2042	5,055,000	1,040,900	6,095,900
2043-2046	2,635,000	230,338	2,865,338
	$ 19,660,000	$ 8,796,531	$ 28,456,531

9. LEASES

Lessor - The District is involved in one agreement as a lessor that qualify as a long-term lease agreement. This agreement qualifies as a long-term lease agreement as the District will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended June 30, 2022 was $13,513.

	Remaining Term of Agreements
Asset Type	
Communication site lease	12 years

Lease receivable activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Leases receivable	$ 224,056	$ -	$ (13,513)	$ 210,543

10. SHORT-TERM DEBT

During the year, the District financed certain of its operations through the issuance of State aid anticipation notes. These notes were issued for terms of less than one year and, accordingly, are recorded as liabilities of the respective funds from which they were issued.

Changes in short-term state aid notes for the year ended June 30, 2022, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
State aid note	$ 1,163,415	$ 1,716,933	$ (1,755,440)	$ 1,124,908

The District has two state aid anticipation notes: Issuance 2021A-1 in the original amount of $690,000 which has an interest rate of 0.11% and is due on July 20, 2022, and 2021A-2 in the original amount of $1,025,000, which has an interest rate of 0.12%, and is due on August 22, 2022.

11. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2022, net investment in capital assets was comprised of the following:

Net investment in capital assets	
Capital assets not being depreciated	$ 1,767,883
Capital assets being depreciated, net	16,129,173
Unexpended bond proceeds	11,321,019
Bonds payable	(19,660,000)
Unamortized charge on refunding	863,581
Unamortized bond premium	(1,356,936)
Total net investment in capital assets	$ 9,064,720

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance to protect itself from errors and omissions claims, employee injury (workers' compensation), and medical benefits.

The District participates in an association of education institutions located within the State of Michigan for self insuring property and casualty claims and losses. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for this coverage. In the event the association's total claims and expenses for a policy year exceed the total normal premiums for said year, all members of the policy year may be subject to special assessments to cover the difference. The association maintains reinsurance to limit its exposure to large claims. To date, the District has not been notified of the need for any special assessments; refunds have been received or credited to premiums for the past several years.

13. PROPERTY TAXES

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 District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to the County tax rolls. Any delinquent taxes collected by the County are remitted to the District by May 15. The District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

14. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

The System’s pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System’s health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act (1980 PA 300 as amended).

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

The System’s financial statements are available at the ORS website at www.michigan.gov/orsschools.

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member’s rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

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

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rate	Employer Rate
Basic	0.00% - 4.00%	19.78% - 20.14%
Member Investment Plan (MIP)	3.00% - 7.00%	19.78% - 20.14%
Pension Plus	3.00% - 6.40%	16.82% - 17.22%
Pension Plus 2	6.20%	19.59% - 19.93%
Defined Contribution	0.00%	13.39% - 13.73%

For the year ended June 30, 2022, required and actual contributions from the District to the pension plan were $2,514,488, which included $1,138,764, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rate	Employer Rate
Premium Subsidy	3.00%	8.09% - 8.43%
Personal Healthcare Fund (PHF)	0.00%	7.23% - 7.57%

For the year ended June 30, 2022, required and actual contributions from the District to the OPEB plan were $554,959.

The table below summarizes defined contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rate	Employer Rate
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2022, required and actual contributions from the District for those members with a defined contribution benefit were $245,292.

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

At June 30, 2022, the District reported a liability of $18,340,277 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The District’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the District’s proportion was 0.07747%, which was a decrease of 0.00964% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of $1,336,095. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 284,099	$ 108,002	$ 176,097
Changes in assumptions	1,156,105	-	1,156,105
Net difference between projected and actual earnings on pension plan investments	-	5,896,340	(5,896,340)
Changes in proportion and differences between employer contributions and proportionate share of contributions	392,944	3,851,402	(3,458,458)
	1,833,148	9,855,744	(8,022,596)
District contributions subsequent to the measurement date	2,418,663	-	2,418,663
Total	$ 4,251,811	$ 9,855,744	$ (5,603,933)

The $2,418,663 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2023	$ (1,504,384)
2024	(2,236,526)
2025	(2,397,318)
2026	(1,884,368)
Total	$ (8,022,596)

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

At June 30, 2022, the District reported a liability of $1,141,767 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.07480% which was a decrease of 0.00595% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of $(809,093). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 3,259,091	$ (3,259,091)
Changes in assumptions	954,460	142,823	811,637
Net difference between projected and actual earnings on OPEB plan investments	-	860,570	(860,570)
Changes in proportion and differences between employer contributions and proportionate share of contributions	239,348	1,342,043	(1,102,695)
	1,193,808	5,604,527	(4,410,719)
District contributions subsequent to the measurement date	514,120	-	514,120
Total	$ 1,707,928	$ 5,604,527	$ (3,896,599)

The $514,120 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2023	$ (1,031,401)
2024	(1,016,842)
2025	(1,036,063)
2026	(976,220)
2027	(309,581)
Thereafter	(40,612)
Total	$ (4,410,719)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2020 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80%
Pension Plus plan (hybrid)	6.80%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.

Other OPEB assumptions:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2021, are based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4367 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.1312 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Long-term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity pools	15.00%	7.08%	1.06%
Fixed income pools	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-1.29%	-0.03%
	100.00%		5.04%
Inflation			2.00%
Risk adjustment			-0.24%
Investment rate of return			6.80%

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity pools	15.00%	7.08%	1.06%
Fixed income pools	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-1.29%	-0.03%
	100.00%		5.04%
Inflation			2.00%
Risk adjustment			-0.09%
Investment rate of return			6.95%

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.30% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
District's proportionate share of the net pension liability	$ 26,221,622	$ 18,340,277	$ 11,806,125

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

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

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net OPEB liability	$ 2,121,608	$ 1,141,767	$ 310,231

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

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

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net OPEB liability	$ 277,897	$ 1,141,767	$ 2,113,724

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2022, the District reported a payable of $391,163 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2022.

Payable to the OPEB Plan

At June 30, 2022, the District reported a payable of $73,919 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2022.

15. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the District classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Debt Service Fund	2022 Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable -					
Prepaid items	2,698	-	-	-	2,698
Restricted for:					
Debt service	-	266,768	-	-	266,768
Food service	-	-	-	429,482	429,482
Capital projects	-	-	11,321,019	-	11,321,019
Total restricted	-	266,768	11,321,019	429,482	12,017,269
Committed for -					
Student service activity	-	-	-	175,592	175,592
Assigned for -					
State supplemental payment	2,436,967	-	-	-	2,436,967
Unassigned	2,247,670	-	-	-	2,247,670
Total fund balances, governmental funds	$ 4,687,335	$ 266,768	$ 11,321,019	$ 605,074	$ 16,880,196

16. CONTINGENCIES AND RISK MANAGEMENT

Federal Grant Programs

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

Litigation

In the normal course of its activities, the District is a party in various legal actions and subject to certain asserted and unasserted claims and assessments. Management of the District is of the opinion that, with the exception of the matter noted below, the outcome of such actions will not have a material effect on the financial position of the District and, therefore, has not reflected loss reserves in the financial statements.

MDE Student Count Adjustment

The District previously had a home-school program called the Madison Virtual Academy wherein certain students attended noncore classes at the District, and the 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 by the District from MDE. The student counts are required to be audited by the intermediate school district on an annual basis. The intermediate school district has proposed a negative audit adjustment with regards to the membership claimed in this program, which has been reported to MDE for the fiscal year ended June 30, 2018. The District has appealed the adjustments, and MDE has agreed not to reduce the District's state aid payments while audit adjustments are in appeal. As noted above, this matter is still pending resolution. The District is no longer operating the Madison Virtual Academy. While the District will continue to vigorously defend its position, it is probably that the appeal will not be in favor of the District. While no final assessment has been reached, at June 30, 2022, the 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 District may be required to pay MDE if the appeal is not successful.

17. BOND COMPLIANCE

The 2022 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the District has complied with the applicable provisions of §1351(a) of the Michigan Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

18. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past two years, the District has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, approximately $2.0 million was expended and recognized as revenue during the current fiscal year. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.

19. SUBSEQUENT EVENTS

State Aid Anticipation Notes

On August 22, 2022, the District received proceeds of $700,000 and $1,200,000 from State of Michigan School Aid anticipation notes 2022A-1 and 2022A-2 due July 20, 2023 and August 21, 2023, respectively. The School Aid anticipation notes 2022A-1 and 2022A-2 bear interest at 1.97% and 1.99%, respectively.

Bus Lease

On July 10, 2022, the District entered into a lease for three school buses with annual lease payments of $392,762 through the year ended June 30, 2024.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,		
	2022	2021	2020
District's proportionate share of the net pension liability	$ 18,340,277	$ 29,923,549	$ 32,146,446
District's proportion of the net pension liability	0.07747%	0.08711%	0.09707%
District's covered payroll	$ 6,831,040	$ 7,220,933	$ 8,562,824
District's proportionate share of the net pension liability as a percentage of its covered payroll	268.48%	414.40%	375.42%
Plan fiduciary net position as a percentage of the total pension liability	72.60%	59.49%	60.08%

See notes to required supplementary information.

Year Ended June 30,				
2019	2018	2017	2016	2015
$ 28,279,988	$ 23,088,825	$ 20,779,106	$ 19,957,428	$ 17,677,711
0.09407%	0.08910%	0.08330%	0.08170%	0.08030%
$ 8,368,553	$ 7,678,086	$ 7,192,113	$ 6,767,142	$ 6,939,057
337.93%	300.71%	288.92%	294.92%	254.76%
62.12%	64.21%	63.27%	63.17%	66.20%

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan
Schedule of the District's Pension Contributions

	Year Ended June 30,		
	2022	2021	2020
Statutorily required contribution	$ 2,514,488	$ 2,376,640	$ 2,505,300
Contributions in relation to the statutorily required contribution	(2,514,488)	(2,376,640)	(2,505,300)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 7,547,489	$ 6,756,074	$ 7,526,940
Contributions as a percentage of covered payroll	33.32%	35.18%	33.28%

See notes to required supplementary information.

Year Ended June 30,				
2019	2018	2017	2016	2015
$ 2,667,086	$ 2,089,798	$ 1,546,040	$ 1,828,012	$ 1,356,628
(2,667,086)	(2,089,798)	(1,546,040)	(1,828,012)	(1,356,628)
$ -	$ -	$ -	$ -	$ -
$ 8,776,299	$ 8,126,286	$ 7,499,230	$ 6,423,616	$ 6,730,909
30.39%	25.72%	20.62%	28.46%	20.16%

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (OPEB) Liability

	Year Ended June 30,				
	2022	2021	2020	2019	2018
District's proportionate share of the net OPEB liability	$ 1,141,767	$ 4,326,107	$ 6,978,608	$ 7,773,473	$ 7,870,750
District's proportion of the net OPEB liability	0.07480%	0.08075%	0.09723%	0.09779%	0.08890%
District's covered payroll	$ 6,831,040	$ 7,220,933	$ 8,562,824	$ 8,368,553	$ 7,678,086
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.71%	59.91%	81.50%	92.89%	102.51%
Plan fiduciary net position as a percentage of the total OPEB liability	87.33%	59.76%	48.67%	43.10%	36.39%

See notes to required supplementary information.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Other Postemployment Benefit (OPEB) Contributions

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Statutorily required contribution	$ 554,959	$ 562,224	$ 604,835	$ 689,380	$ 596,354
Contributions in relation to the statutorily required contribution	(554,959)	(562,224)	(604,835)	(689,380)	(596,354)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 7,547,489	$ 6,756,074	$ 7,526,940	$ 8,776,299	$ 8,126,286
Contributions as a percentage of covered payroll	7.35%	8.32%	8.04%	7.86%	7.34%

See notes to required supplementary information.

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

COMBINING FUND FINANCIAL STATEMENTS

MADISON DISTRICT PUBLIC SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2022

	Special Revenue		
	Food Service Fund	Student/ School Activity Fund	Total Nonmajor Governmental Funds
Assets			
Cash and investments	$ 427,748	$ 175,997	$ 603,745
Due from other governments	4,048	-	4,048
Total assets	$ 431,796	$ 175,997	$ 607,793
Liabilities			
Accounts payable	$ 2,314	$ 72	$ 2,386
Accrued salaries and related liabilities	-	333	333
Total liabilities	2,314	405	2,719
Fund balances			
Restricted	429,482	-	429,482
Committed	-	175,592	175,592
Total fund balances	429,482	175,592	605,074
Total liabilities and fund balances	$ 431,796	$ 175,997	$ 607,793

MADISON DISTRICT PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue		
	Food Service Fund	Student/ School Activity Fund	Total Nonmajor Governmental Funds
Revenues			
Local sources - other sources	$ 31,230	$ 44,238	$ 75,468
State sources	28,138	-	28,138
Federal sources	804,955	-	804,955
Total revenues	864,323	44,238	908,561
Expenditures			
Current -			
Support services:			
Food service	868,067	-	868,067
Student/school activity	-	43,239	43,239
Capital outlay	30,307	-	30,307
Total expenditures	898,374	43,239	941,613
Net change in fund balances	(34,051)	999	(33,052)
Fund balance, beginning of year	463,533	174,593	638,126
Fund balance, end of year	$ 429,482	$ 175,592	$ 605,074

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SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

December 5, 2022

Board of Education
Madison District Public Schools
Madison Heights, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Madison District Public Schools*** (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 5, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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WE ARE AN INDEPENDENT MEMBER OF THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

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MADISON DISTRICT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Agriculture			
Child Nutrition Cluster:			
Seamless Summer Option (SSO) Breakfast	10.553	MDE	211971
Seamless Summer Option (SSO) Breakfast	10.553	MDE	221971
Entitlement commodities (non-cash assistance)	10.555	MDE	n/a
Bonus commodities (non-cash assistance)	10.555	MDE	n/a
COVID-19 - Emergency Operations - SNP Meals	10.555	MDE	211965
Seamless Summer Option (SSO) Lunch	10.555	MDE	211961
Seamless Summer Option (SSO) Lunch	10.555	MDE	221961
National School Lunch Program - After School Snack	10.555	MDE	211980
Supply Chain Assistance	10.555	MDE	220910
Extended Summer Food Service Program for Children	10.559	MDE	210904
Total Child Nutrition Cluster			
Child and Adult Care Food Program (CACFP)	10.558	MDE	211920
Child and Adult Care Food Program (CACFP)	10.558	MDE	211925
Child and Adult Care Food Program (CACFP)	10.558	MDE	221920
COVID-19 - Pandemic EBT Administrative Costs	10.649	MDE	210980
Total U.S. Department of Agriculture			
U.S. Department of Education			
Special Education Cluster (IDEA):			
Special Education Grants to States - Flowthrough			
2019-20	84.027	OCISD	200450-1920
2020-21	84.027	OCISD	210450-2021
2021-22	84.027	OCISD	220450-2122
Special Education Preschool Grants - Preschool Initiative:			
2020-21	84.173	OCISD	210460-2021
2021-22	84.173	OCISD	220460-2122
Total Special Education Cluster (IDEA)			

Approved Grant Award Amount	Expenditures (Memo Only) Prior Year(s)	Accrued (Unearned) Revenue July 1, 2021	Adjustments	Current Year Cash Received	Expenditures Year Ended June 30, 2022	Accrued (Unearned) Revenue June 30, 2022
$ 33,931	$ -	$ -	$ -	$ 33,931	$ 33,931	$ -
209,856	-	-	-	209,856	209,856	-
		-	-	243,787	243,787	-
48,461	-	-	-	48,461	48,461	-
5,813	-	-	-	5,813	5,813	-
18,834	-	-	-	18,834	18,834	-
55,623	-	-	-	55,623	55,623	-
377,211	-	-	-	377,211	377,211	-
1,591	1,591	108	-	108	-	-
22,407	-	-	-	22,407	22,407	-
		108	-	528,457	528,349	-
901,473	884,223	89,281	69,012	175,543	17,250	-
		89,389	69,012	947,787	789,386	-
1,025	747	60	-	338	278	-
10,193	-	-	-	10,193	10,193	-
2,035	-	-	-	1,144	2,035	891
		60	-	11,675	12,506	891
3,063	-	-	-	3,063	3,063	-
		89,449	69,012	962,525	804,955	891
304,381	304,381	6,637	-	6,637	-	-
298,115	298,115	298,115	-	298,115	-	-
302,586	-	-	-	-	302,586	302,586
		304,752	-	304,752	302,586	302,586
11,655	11,655	11,655	-	11,655	-	-
21,302	-	-	-	-	21,302	21,302
		11,655	-	11,655	21,302	21,302
		316,407	-	316,407	323,888	323,888

continued…

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Education (continued)			
Title I, Part A - Improving Basic Programs:			
2020-21	84.010	MDE	211530-2021
2021-22	84.010	MDE	221530-2122
Title III, English Language Acquisition State Grants:			
2020-21	84.365	MDE	210580-2021
2021-22	84.365	MDE	220580-2122
Title II, Part A - Supporting Effective Instruction State Grants -			
2020-21	84.367	MDE	210520-2021
Title IV, Part A - Student Support and Academic Enrichment Program:			
2020-21	84.424	MDE	210750-2021
2021-22	84.424	MDE	220750-2122
COVID-19 - Education Stabilization Fund:			
Governor's Emergency Education Relief Fund (GEER)	84.425C	MDE	201200-2021
Elementary and Secondary School Emergency Relief (ESSER) Fund:			
ESSER Formula Funds	84.425D	MDE	203710-1920
ESSER Formula Funds II	84.425D	MDE	213712-2021
ESSER III - American Rescue Plan	84.425D	MDE	213713-2122
Total U.S. Department of Education			
Total Federal Financial Assistance			

See notes to schedule of expenditures of federal awards.

Approved Grant Award Amount	Expenditures (Memo Only) Prior Year(s)	Accrued (Unearned) Revenue July 1, 2021	Adjustments	Current Year Cash Received	Expenditures Year Ended June 30, 2022	Accrued (Unearned) Revenue June 30, 2022
$ 502,166	$ 222,020	$ 222,020	$ -	$ 252,682	$ 30,662	$ -
602,866	-	-	-	265,243	276,931	11,688
		222,020	-	517,925	307,593	11,688
15,685	14,718	14,718	-	14,718	-	-
13,776	-	-	-	-	13,776	13,776
		14,718	-	14,718	13,776	13,776
123,039	10,625	10,625	-	51,378	40,753	-
31,416	30,930	30,930	-	31,416	486	-
28,431	-	-	-	-	28,431	28,431
		30,930	-	31,416	28,917	28,431
102,295	55,588	55,588	-	55,588	-	-
322,372	317,113	111,796	-	111,796	-	-
1,232,406	-	-	-	788,584	848,049	59,465
1,845,206	-	-	-	990,900	1,156,466	165,566
		167,384	-	1,946,868	2,004,515	225,031
		762,084	-	2,878,712	2,719,442	602,814
		$ 851,533	$ 69,012	$ 3,841,237	$ 3,524,397	$ 603,705

concluded

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Madison District Public Schools (the "District") under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. RECONCILIATION TO BASIC FINANCIAL STATEMENTS

A reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit act compliance schedule of expenditures of federal awards is as follows:

Federal revenues as reported in the financial statements	$ 4,237,797
Federal assistance received as beneficiary	(396,993)
Prior year unavailable federal revenue recognized	(316,407)
Expenditures per schedule of expenditures of federal awards	$ 3,524,397

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH AGENCIES

The District receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
OCISD	Oakland County Intermediate School District

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 5, 2022

Board of Education
Madison District Public Schools
Madison Heights, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Madison District Public Schools*** (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2022-001 and -002 that we consider to be material weaknesses.

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Report on Compliance and Other Matters

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

Madison District Public Schools' Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Rehmann Robson LLC

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

December 5, 2022

Board of Education
Madison District Public Schools
Madison Heights, Michigan

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the compliance of ***Madison District Public Schools*** (the "District") with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Education Stabilization Fund program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Education Stabilization Fund program for the year ended June 30, 2022.

Basis for Qualified Opinion on the Major Federal Program

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

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

Matters Giving Rise to Qualified Opinion on the Education Stabilization program

As described in items 2022-003 and -004 in the accompanying schedule of findings and questioned costs, the District did not comply with the Allowable Costs/Cost Principles requirement applicable to its Education Stabilization Fund program. Compliance with this requirement is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Independent Auditors' Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003 and -004 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

Rehmann Robson LLC

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MADISON DISTRICT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	X yes	no
Significant deficiency(ies) identified?	yes	X none reported
Noncompliance material to financial statements noted?	yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	X yes	no
Significant deficiency(ies) identified?	yes	X none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X yes	no

Identification of major programs and type of auditors' report issued on compliance for each major program:

Assistance Listing Number	Name of Federal Program or Cluster	Type of Report
84.425	Education Stabilization Fund	Qualified

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	yes	X no

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-001 - Material Audit Adjustments (Repeat)

Finding Type. Material weakness in internal controls over financial reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed material adjustments (which were approved and posted by management) to adjust the District's general ledger to the appropriate balances.

Cause. This condition was the result of dependence on external auditors, who by definition cannot be a part of the District’s internal control, to make adjustments to the general ledger and reconcile certain balance sheet accounts to their underlying detail.

Effect. As a result of this condition, the District's accounting records were initially misstated as follows:

- Liabilities were understated by $1,170,765
- Deferred inflows of resources were overstated by $327,483
- Receivables were understated by $430,278
- Revenue was understated by $337,926
- Expenditures were overstated by $75,078

Recommendation. For the current year, no further action is required as the adjustments have been posted. In future periods, we recommend that management implement procedures to ensure that all general ledger accounts are appropriately reconciled and adjusted at year end.

View of Responsible Official. Monthly general ledger accounts were reconciled and adjusted each month. Assistance was needed from the District auditors to make some year-end adjustments. District will work with its auditors to develop procedures to ensure that all general ledger accounts are reconciled and adjusted monthly and at year end.

Responsible Official. Director of Finance and Business Operations

Estimated Completion Date. June 30, 2023

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-002 - Preparation of Schedule of Expenditures of Federal Awards (SEFA)

Finding Type. Material weakness in internal controls over financial reporting.

Criteria. The Uniform Guidance requires that the District identify "in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listing title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any." In addition, the District is required to prepare appropriate financial statements, including the SEFA.

Condition. While management was able to provide a SEFA during the audit fieldwork, the SEFA did not agree to the trial balance and adjustments were ultimately required.

Cause. This condition was the result of dependence on external auditors, who by definition cannot be a part of the internal control.

Effect. As a result of this condition, the SEFA initially presented understated expenditures of federal awards by $47,200 and understated current year cash received by $641,321. Additionally, the District had significant unrelieved prior year receivables and unrecorded current year receivables related to federal grants which were corrected during the audit.

Recommendation. We recommend that the District clearly assign the responsibility for grant reporting and preparation and review of the SEFA each year. All grant financial reports should be reviewed centrally by a member of management prior to submission, and compared against the District's accounting records. Incoming grant receipts should similarly be reviewed to determine the appropriate program for coding. Differences between amounts requested, amounts received, and/or amounts reported on the District's accounting records should be promptly investigated and resolved.

View of Responsible Official. The SEFA will be created by the Business Office. Grant reports, expenditures, and receipts will be reviewed and reconciled to the SEFA and general ledger.

Responsible Official. Director of Finance and Business Operations

Estimated Completion Date. June 30, 2023

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS

2022-003 - Allowable Costs/Cost Principles - Disbursements

Finding Type. Material Noncompliance; Material Weakness in Internal Control over Compliance

Federal program(s)

U.S. Department of Education:

- Education Stabilization Fund (ALN 84.425); Passed through MDE; All project numbers

Criteria. The Uniform Guidance requires the District to establish internal controls over disbursements related to the compliance requirements applicable to allowable costs/cost provisions. The District's policies require an independent review of expenditures.

Condition. The District was unable to provide evidence of allowable costs/cost principles and internal controls compliance as follows:

- Evidence of an independent review was not documented for 16 out of 40 disbursements selected for testing.
- The District could not provide any supporting documentation for costs charged on three out of 40 disbursements selected for testing.

Cause. This condition appears to be the result of the District not adhering to established internal control policies and procedures.

Effect. As a result of this condition, the District is at increased risk of unallowable costs being charged to federal programs without being detected by its internal controls.

Questioned Costs. The total charges included in our sample that were not supported by allowable documentation amounted to $72,393.

Recommendation. We recommend the District follow its internal control policies and procedures that require independent review of all disbursement transactions.

View of Responsible Officials. Management Concurs

Responsible Official. Director of Finance and Business Operations

Estimated Completion Date. June 30, 2023

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-004 - Allowable Costs/Cost Principles - Payroll Documentation

Finding Type. Material Noncompliance; Material Weakness in Internal Control over Compliance

Federal program(s)

U.S. Department of Education:

- Education Stabilization Fund (ALN 84.425); Passed through MDE; All project numbers

Criteria. The Uniform Guidance requires the District to support payroll charged to federal cost objectives with adequate documentation in accordance with the District's payroll policies. Per the District's federal policies, the District is required to support payroll charges to federal cost objectives with adequate documentation including personnel activity reports or timesheets for those who split their time between multiple cost objectives.

Condition. The District was unable to provide evidence of allowable costs/cost principles and internal controls compliance as follows:

- Of the 21 payroll transactions selected for testing, the District was unable to provide documentation for eight of those charges.
- Of the 21 payroll transactions selected for testing, the District identified that one individual had been charged to the grant in excess of their actual payroll for the year.

Cause. This condition appears to be the result of the District charging costs to federal programs that were not properly supported using allowable methods.

Effect. As a result of this condition, the District does not have appropriate payroll support for nine of the transactions tested which were charged to the grant.

Questioned Costs. The total charges included in our sample that were not supported by allowable documentation amounted to $129,160.

Recommendation. We recommend the District limit payroll charged to federal programs to costs that are supported by documentation that is allowable under federal cost principles and its own policies and procedures.

View of Responsible Officials. Management concurs

Responsible Official. Director of Finance and Business Operations

Estimated Completion Date. June 30, 2023

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Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2022

Finding 2021-001: Material Audit Adjustments (Repeat)

During the audit, the auditors identified and proposed material adjustments (which were approved and posted by management) to adjust the District's general ledger to the appropriate balances. As a result of this condition, the District's accounting records were initially misstated by amounts material to the financial statements. This finding has been repeated as 2022-001.

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MADISON DISTRICT PUBLIC SCHOOLS

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CORRECTIVE ACTION PLAN

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in South Lake Schools Single Audit report for the year ended June 30, 2022, and corrective actions to be completed.

Finding: 2022-001 – Material Audit Adjustments

Auditor Description of Condition and Effect: During our audit, we identified and proposed material adjustments (which were approved and posted by management) to adjust the District's general ledger to the appropriate balances. As a result of this condition, the District's accounting records were initially misstated as follows: Liabilities were understated by $1,170,765, Deferred inflows were overstated by $327,483, Receivables were understated by $430,278, Revenue was understated by $337,926, Expenditures were overstated by $75,078.

Auditor Recommendation: For the current year, no further action is required as the adjustments have been posted. In future periods, we recommend that management implement procedures to ensure that all general ledger accounts are appropriately reconciled and adjusted at year end.

Corrective Action: Monthly general ledger accounts were reconciled and adjusted each month. Assistance was needed from the District auditors to make some year-end adjustments. District will work with its auditors to develop procedures to ensure that all general ledger accounts are reconciled and adjusted monthly and at year end.

Responsible Person: Lawrence Miller (Director of Finance and Business Operations)

Anticipated Completion Date: June 30, 2023

Finding: 2022-002 - Preparation of Schedule of Expenditures of Federal Awards (SEFA)

Auditor Description of Condition and Effect: While management was able to provide a schedule of expenditures of federal awards during the audit fieldwork, the Schedule did not agree to the trial balance and adjustments were ultimately required. As a result of this condition, the schedule of expenditures of federal awards initially presented understated expenditures of federal awards by $47,200 and understated current year cash received by $641,321. Additionally, the District had significant unrelieved prior year receivables and unrecorded current year receivables related to federal grants which were corrected during the audit.

Auditor Recommendation: We recommend that the District clearly assign the responsibility for grant reporting and preparation and review of the SEFA each year. All grant financial reports should be reviewed centrally by a member of management prior to submission, and compared against the District's accounting records. Incoming grant receipts should similarly be reviewed to determine the appropriate program for coding. Differences between amounts requested, amounts received, and/or amounts reported on the District's accounting records should be promptly investigated and resolved.

Corrective Action: The Schedule of Expenditures of Federal Awards will be created by the Business Office. Grant reports, expenditures, and receipts will be reviewed and reconciled to the SEFA and general ledger.

Responsible Person: Lawrence Miller (Director of Finance and Business Operations)

Anticipated Completion Date: June 30, 2023

2022-003 - Allowable Costs/Cost Principles – Disbursements

Auditor Description of Condition and Effect: The District was unable to provide evidence of allowable costs/cost principles and internal controls compliance as follows: Evidence of an independent review was not documented for 16 out of 40 disbursements selected for testing. The District could not provide any supporting documentation for costs charged on 3 out of 40 disbursements selected for testing. The District is at increased risk of unallowable costs being charged to federal programs without being detected by its internal controls.

Auditor Recommendation: We recommend the District follow its internal control policies and procedures that require independent review of all disbursement transactions.

Corrective Action: The District will work with its auditors to ensure that future charges to grants are for allowable costs and supported by documentation as prescribed under Uniform Guidance.

Responsible Person: Lawrence Miller (Director of Finance and Business Operations)

Anticipated Completion Date: June 30, 2023

Finding: 2022-004 - Allowable Costs/Cost Principles - Payroll Documentation

Auditor Description of Condition and Effect: The District was unable to provide evidence of allowable costs/cost principles and internal controls compliance as follows: Of the 21 payroll transactions selected for testing, the District was unable to provide documentation for eight of those charges. Of the 21 payroll transactions selected for testing, the District identified that one individual had been charged to the grant in excess of their actual payroll for the year. As a result of this condition, the District does not have appropriate payroll support for nine of the transactions charged to the grant.

Auditor Recommendation: We recommend the District limit payroll charged to federal programs to costs that are supported by documentation that is allowable under federal cost principles and its own policies and procedures.

Corrective Action: The District will work with its auditors to ensure that future charges to grants are for allowable costs and supported by documentation as prescribed under Uniform Guidance.

Responsible Person: Lawrence Miller (Director of Finance and Business Operations)

Anticipated Completion Date: June 30, 2023

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