Madison District Public Schools

Year Ended
June 30, 2023

Financial Statements and Single Audit Act Compliance

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MADISON DISTRICT PUBLIC SCHOOLS

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MADISON DISTRICT PUBLIC SCHOOLS

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Independent Auditor's Report

To the Members of the Board
Madison District Public Schools
Madison Heights, Michigan

Report on the Audit of the Financial Statements

Opinions
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison District Public Schools (the District) as of and for the year ended June 30, 2023, 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 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, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

ROSLUND, PRESTAGE & COMPANY, P.C.
525 WEST WARWICK DRIVE, SUITE A, ALMA, MICHIGAN

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 plans, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying additional supplementary information, as identified in the table of contents, 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 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 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 additional supplementary information 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 November 1, 2023, 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 District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

November 1, 2023

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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, 2023.

Financial Highlights

· Total net position	$ (18,074,466)
· Change in total net position	1,153,029
· Fund balances, governmental funds	8,927,586
· Change in fund balances, governmental funds	(7,952,610)
· Unassigned fund balance, general fund	675,631
· Change in fund balance, general fund	(2,742,701)
· General obligation bonds outstanding	19,240,000
· Change in general obligation bonds	(420,000)
· Capital assets, net	23,063,102

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	
	2023	**2022**
Assets		
Current and other assets	$ 16,125,296	$ 19,900,501
Capital assets, net	23,063,102	17,897,056
Total assets	39,188,398	37,797,557
Deferred outflows of resources	11,973,465	6,823,320
Liabilities		
Long-term liabilities	54,562,366	45,169,609
Other liabilities	7,104,311	3,007,949
Total liabilities	61,666,677	48,177,558
Deferred inflows of resources	7,569,652	15,670,814
Net position		
Net investment in capital assets	9,165,098	9,064,720
Restricted	550,818	498,063
Unrestricted (deficit)	(27,790,382)	(28,790,278)
Total net position	$ (18,074,466)	$ (19,227,495)

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 $18,074,466. Of this amount, $(27,790,382) is unrestricted net position (deficit) and $550,818 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.

	Change in Net Position	
	2023	2022
Revenues		
Program revenues:		
Charges for services	$ 117,162	$ 75,468
Operating grants and contributions	4,702,041	5,117,129
General revenues:		
Property taxes	3,369,057	3,068,710
State school aid	9,099,773	8,012,517
Other	2,058,429	1,422,282
Total revenues	19,346,462	17,696,106
Expenses		
Instruction	8,259,265	5,527,211
Support services	8,232,309	6,996,268
Community service	98,282	87,769
Interest on long-term debt	594,629	670,981
Unallocated depreciation/amortization	1,008,948	765,595
Total expenses	18,193,433	14,047,824
Change in net position	1,153,029	3,648,282
Net position, beginning of year	(19,227,495)	(22,875,777)
Net position, end of year	$ (18,074,466)	$ (19,227,495)

As reported in the statement of activities, the cost of all of the District's governmental activities this year was $18,193,433. Certain activities were partially funded from those who benefited from the programs which totaled $117,162. Activities funded by other governments and organizations that subsidized certain programs with grants and contributions totaled $4,702,041. The District paid for the remaining “public benefit” portion of governmental activities with $3,369,057 in taxes, $9,099,773 in unrestricted state aid, and $2,058,429 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 $1,153,029 during the current year. The increase in net position was primarily the result of additional state school aid funding, an increase in property tax revenue, and the District investing bond proceeds and receiving a high return in interest revenue. District revenues increased by $1,650,356 for the fiscal year 2023.

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 $8,927,586, a decrease of $7,952,610 from the prior year. Of this total amount, $675,631 (7.6%) constitutes *unassigned fund balance,* which is available for spending at the District's discretion. The remainder of fund balance is nonspendable ($50,500), restricted ($6,803,569), committed ($179,383), and assigned ($1,218,503).

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 $675,631. 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 3.38% and 9.72%, respectively, of total general fund expenditures.

During the current fiscal year, the fund balance in the District's general fund decreased by $2,742,701. This is largely due to several factors including (1) one-time, state funded, contributions toward MPSERS unfunded liability that the District did not budget for, (2) budgeted federal revenue that was not recognized in the 2023 fiscal year, and (3) proceeds from the sale of the District equipment that will not be recognized until the fiscal year 2024.

Debt Service Fund. Fund balance for this fund was $265,211 as of June 30, 2023, which is restricted for future principal and interest payments on long-term debt.

2022 Capital Projects Fund. Fund balance for this fund was $6,149,449 as of June 30, 2023, which is restricted for future capital projects. Fund balance decreased by $5,171,570 during the year due to ongoing capital project expenditures.

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 $1,155,283 greater than the original budget. The final amended expenditure budget was $1,873,976 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 $1,248,241. The unfavorable results were primarily due to one-time MPSERS retirement expenditures not budgeted as part of the District costs for year and expected federal and interdistrict revenue not recognized during the year.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2023, totaled $23,063,102 (net of accumulated depreciation/amortization). This investment in capital assets includes the following:

	District's Capital Assets (net of depreciation/amortization)	
	2023	2022
Land	$ 1,767,883	$ 1,767,883
Construction in progress	5,583,327	-
Buildings and improvements	14,195,663	14,759,763
Land improvements	544,268	540,007
Furniture and equipment	656,411	815,737
Buses and other vehicles	7,316	13,666
Lease equipment	118,557	-
Lease vehicles	189,677	-
Total	$ 23,063,102	$ 17,897,056

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

- Construction in progress related to the 2022 bond.
- Lease of equipment and vehicles.

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 $19,240,000.

The District's total bonded debt decreased by $420,000 during the current fiscal year due to regularly scheduled bond principal payments.

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

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 2023-24 fiscal year:

- For 2022-23 one of the main sources of funding continues to be COVID related grant dollars - specifically ESSER III. The District has built the remainder of ESSER III into the 2023-24 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 $350 per pupil in 2023-24. The actual increase amount was set at $458 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 slight increase in FTE during the 2022-23 fiscal year. As a result, District administration prioritized marketing for growth in student count. For the 2023-24 budget the District opted to assume an increase that would put enrollment at approximately 1,000 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.

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, 2023

	Governmental Activities
Assets	
Cash and investments	$ 13,335,399
Receivables	2,739,397
Prepaids	50,500
Capital assets not being depreciated	7,351,210
Capital assets being depreciated/amortized, net	15,711,892
Total assets	39,188,398
Deferred outflows of resources	
Deferred charge on refunding	820,402
Deferred pension amounts	8,765,000
Deferred other postemployment benefit amounts	2,388,063
Total deferred outflows of resources	11,973,465
Liabilities	
Accounts payable and accrued liabilities	5,153,917
State aid note payable	1,325,609
Unearned revenue	624,785
Bonds and other long-term liabilities:	
Due within one year	2,257,099
Due in more than one year	20,018,591
Contingent liability	2,086,970
Net pension liability (due in more than one year)	28,539,200
Net other postemployment benefit liability (due in more than one year)	1,660,506
Total liabilities	61,666,677
Deferred inflows of resources	
Deferred pension amounts	2,976,442
Deferred other postemployment benefit amounts	4,396,509
Deferred lease amounts	196,701
Total deferred inflows of resources	7,569,652
Net position	
Net investment in capital assets	9,165,098
Restricted for food service	388,909
Restricted for debt service	161,909
Unrestricted (deficit)	(27,790,382)
Total net position	$ (18,074,466)

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

MADISON DISTRICT PUBLIC SCHOOLS

Statement of Activities
For the Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue
Governmental activities				
Instruction:				
Basic programs	$ 6,379,654	$ -	$ 1,331,052	$ (5,048,602)
Added needs	1,879,611	-	2,060,999	181,388
Total instruction	8,259,265	-	3,392,051	(4,867,214)
Support services:				
Pupil	1,116,016	-	-	(1,116,016)
Instructional services	481,962	-	-	(481,962)
General administration	426,955	-	-	(426,955)
School administration	1,131,727	-	-	(1,131,727)
Business	628,947	-	-	(628,947)
Maintenance	2,039,145	-	-	(2,039,145)
Transportation	764,997	-	-	(764,997)
Central services	469,466	-	-	(469,466)
Athletics	164,323	-	2,334	(161,989)
Food service	928,062	32,662	959,093	63,693
Student/school activity	80,709	84,500	-	3,791
Total supporting services	8,232,309	117,162	961,427	(7,153,720)
Community service	98,282	-	348,563	250,281
Interest on long-term debt	594,629	-	-	(594,629)
Unallocated depreciation/amortization	1,008,948	-	-	(1,008,948)
Total governmental activities	$ 18,193,433	$ 117,162	$ 4,702,041	$ (13,374,230)

continued...

MADISON DISTRICT PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2023

	Governmental Activities
Change in net position	
Net expense	$ (13,374,230)
General revenues	
Property taxes	3,369,057
State school aid	9,099,773
Unrestricted investment earnings	614,609
Grants and contributions not restricted to specific programs	1,443,820
Total general revenues	14,527,259
Change in net position	1,153,029
Net position, beginning of year	(19,227,495)
Net position, end of year	$ (18,074,466)

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, 2023

	General Fund	Debt Service Fund	2022 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 2,885,575	$ 265,211	$ 9,613,724	$ 570,889	$ 13,335,399
Accounts receivable	33,176	-	-	-	33,176
Due from other governments	2,495,711	-	-	13,809	2,509,520
Lease receivable	196,701	-	-	-	196,701
Prepaid items	50,500	-	-	-	50,500
Total assets	$ 5,661,663	$ 265,211	$ 9,613,724	$ 584,698	$ 16,125,296
Liabilities					
Accounts payable	$ 273,064	$ -	$ 3,464,275	$ 16,406	$ 3,753,745
Accrued salaries and related liabilities	1,296,870	-	-	-	1,296,870
Unearned revenue	624,785	-	-	-	624,785
State aid note payable	1,325,609	-	-	-	1,325,609
Total liabilities	3,520,328	-	3,464,275	16,406	7,001,009
Deferred inflows of resources					
Deferred lease amounts	196,701	-	-	-	196,701
Fund balances					
Nonspendable	50,500	-	-	-	50,500
Restricted	-	265,211	6,149,449	388,909	6,803,569
Committed	-	-	-	179,383	179,383
Assigned	1,218,503	-	-	-	1,218,503
Unassigned	675,631	-	-	-	675,631
Total fund balances	1,944,634	265,211	6,149,449	568,292	8,927,586
Total liabilities, deferred inflows of resources, and fund balances	$ 5,661,663	$ 265,211	$ 9,613,724	$ 584,698	$ 16,125,296

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, 2023

Fund balances - total governmental funds	$ 8,927,586
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	7,351,210
Capital assets being depreciated, net	15,711,892
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 payable and state supplemental payment	(20,458,503)
Unamortized bond premium	(1,300,397)
Unamortized charge on refunding	820,402
Leases payable	(327,458)
Accrued interest payable on bonds	(103,302)
Accrued compensated absences	(189,332)
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	(28,539,200)
Deferred outflows related to the net pension liability	8,765,000
Deferred inflows related to the net pension liability	(2,976,442)
Net other postemployment benefit liability	(1,660,506)
Deferred outflows related to the net other postemployment benefit liability	2,388,063
Deferred inflows related to the net other postemployment benefit liability	(4,396,509)
Net position of governmental activities	$ (18,074,466)

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, 2023

	General Fund	Debt Service Fund	2022 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources:					
Property taxes	$ 2,271,000	$ 1,098,057	$ -	$ -	$ 3,369,057
Other sources	795,651	-	-	117,162	912,813
Interdistrict sources	999,066	-	-	-	999,066
State sources	10,719,991	-	-	13,287	10,733,278
Federal sources	1,771,833	-	-	945,806	2,717,639
Interest	188,055	14,797	411,757	-	614,609
Total revenues	16,745,596	1,112,854	411,757	1,076,255	19,346,462
Expenditures					
Current:					
Instruction	9,758,798	-	-	-	9,758,798
Support services	8,721,630	-	-	-	8,721,630
Food service	-	-	-	1,028,805	1,028,805
Student/school activity	-	-	-	80,709	80,709
Community service	108,400	-	-	-	108,400
Capital outlay	-	-	5,583,327	3,523	5,586,850
Debt service:					
Principal	1,412,618	420,000	-	-	1,832,618
Interest and fiscal charges	8,463	694,411	-	-	702,874
Total expenditures	20,009,909	1,114,411	5,583,327	1,113,037	27,820,684
Revenues under expenditures	(3,264,313)	(1,557)	(5,171,570)	(36,782)	(8,474,222)
Other financing sources					
Issuance of long-term lease	521,612	-	-	-	521,612
Net change in fund balances	(2,742,701)	(1,557)	(5,171,570)	(36,782)	(7,952,610)
Fund balances, beginning of year	4,687,335	266,768	11,321,019	605,074	16,880,196
Fund balances, end of year	$ 1,944,634	$ 265,211	$ 6,149,449	$ 568,292	$ 8,927,586

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

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, 2023

Net change in fund balances - total governmental funds	$	(7,952,610)
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/amortization expense.		
Purchase/acquisition of capital assets		6,174,994
Depreciation/amortization expense		(1,008,948)
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.		
Principal payments on bonds and other long-term liabilities		1,832,618
Issuance of long-term lease		(521,612)
Amortization of deferred charge on refunding		(43,179)
Amortization of bond premium		56,539
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		1,193,568
Change in the net other postemployment benefit liability and related deferred amounts		1,369,414
Change in accrual for accrued compensated absences		(42,640)
Change in accrued interest payable		94,885
Change in net position of governmental activities	$	1,153,029

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	$ 2,027,760	$ 2,286,040	$ 2,271,000	$ (15,040)
Other	1,448,549	583,533	795,651	212,118
Interdistrict sources	968,650	1,425,090	999,066	(426,024)
State sources	9,063,337	10,614,974	10,719,991	105,017
Federal sources	2,966,697	2,622,639	1,771,833	(850,806)
Interest	22,000	120,000	188,055	68,055
Total revenues	16,496,993	17,652,276	16,745,596	(906,680)
Expenditures				
Current:				
Instruction:				
Basic programs	6,459,071	7,155,712	7,552,385	396,673
Added needs	1,233,907	2,390,187	2,206,413	(183,774)
Total instruction	7,692,978	9,545,899	9,758,798	212,899
Support services:				
Pupil	1,140,282	1,110,882	1,348,326	237,444
Instructional services	670,776	844,905	576,754	(268,151)
General administration	679,695	556,354	477,619	(78,735)
School administration	1,421,454	1,262,911	1,338,874	75,963
Business	615,795	541,370	842,702	301,332
Maintenance	2,496,471	2,494,445	2,217,186	(277,259)
Transportation	905,036	1,069,964	1,238,539	168,575
Central services	445,590	522,335	492,967	(29,368)
Athletics	187,215	181,719	188,663	6,944
Total support services	8,562,314	8,584,885	8,721,630	136,745
Community services	110,148	128,488	108,400	(20,088)
Debt service:				
Principal	1,238,320	1,218,464	1,412,618	194,154
Interest and fiscal charges	-	-	8,463	8,463
Total debt service	1,238,320	1,218,464	1,421,081	202,617
Total expenditures	17,603,760	19,477,736	20,009,909	532,173
Revenues under expenditures	(1,106,767)	(1,825,460)	(3,264,313)	(1,438,853)
Other financing sources				
Proceeds from sale of capital assets	1,295,790	251,000	-	(251,000)
Issuance of long-term lease	-	-	521,612	521,612
Transfers in	-	80,000	-	(80,000)
Total other financing sources	1,295,790	331,000	521,612	190,612
Net change in fund balance	189,023	(1,494,460)	(2,742,701)	(1,248,241)
Fund balance, beginning of year	4,166,853	4,687,335	4,687,335	-
Fund balance, end of year	$ 4,355,876	$ 3,192,875	$ 1,944,634	$ (1,248,241)

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.

Lessee. The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the District is reasonably certain to exercise.

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

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 reports deferred inflows of resources related to pension and other postemployment benefit liabilities. In addition, the District reports deferred inflows in both the statement of net position and the governmental funds balance sheet related to leases receivable. The amounts are deferred and amortized over the remaining life of the lease.

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 64% percent of the District's general fund revenue during the 2023 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, 2023, the District incurred expenditures in excess of appropriated amounts as follows:

	Final Budget	Actual	Over Budget
General fund			
Current:			
Instruction -			
Basic programs	$ 7,155,712	$ 7,552,385	$ 396,673
Supporting services:			
Pupil	1,110,882	1,348,326	237,444
School administration	1,262,911	1,338,874	75,963
Business	541,370	842,702	301,332
Transportation	1,069,964	1,238,539	168,575
Athletics	181,719	188,663	6,944
Debt service:			
Principal	1,218,464	1,412,618	194,154
Interest and fiscal charges	-	8,463	8,463

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	$ 13,335,399
Deposits and investments	
Investments - Michigan Liquid Asset Fund (MILAF)	$ 13,335,399

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	$ 13,335,399	S&P-AAAm

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, 2023 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	$ 33,176	$ -	$ 33,176
Due from other governments	2,495,711	13,809	2,509,520
Lease receivable	196,701	-	196,701
	$ 2,725,588	$ 13,809	$ 2,739,397
Amount not expected to be collected within one year	$ 181,931	$ -	$ 181,931

Notes to Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated/amortized:				
Land	$ 1,767,883	$ -	$ -	$ 1,767,883
Construction in progress	-	5,583,327	-	5,583,327
	1,767,883	5,583,327	-	7,351,210
Capital assets, being depreciated/amortized:				
Buildings and Improvements	28,386,348	-	-	28,386,348
Land improvements	3,179,444	70,055	-	3,249,499
Furniture and equipment	2,329,163	-	-	2,329,163
Buses and other vehicles	104,508	-	-	104,508
Lease equipment	-	142,268	-	142,268
Lease vehicles	-	379,344	-	379,344
	33,999,463	591,667	-	34,591,130
Less accumulated depreciation/amortization for:				
Buildings and Improvements	(13,626,585)	(564,100)	-	(14,190,685)
Land improvements	(2,639,437)	(65,794)	-	(2,705,231)
Furniture and equipment	(1,513,426)	(159,326)	-	(1,672,752)
Buses and other vehicles	(90,842)	(6,350)	-	(97,192)
Lease equipment	-	(23,711)	-	(23,711)
Lease vehicles	-	(189,667)	-	(189,667)
	(17,870,290)	(1,008,948)	-	(18,879,238)
Total capital assets being depreciated/amortized, net	16,129,173	(417,281)	-	15,711,892
Governmental activities capital assets, net	$ 17,897,056	$ 5,166,046	$ -	$ 23,063,102

Depreciation/amortization expense of $1,008,948 was reported as the function unallocated depreciation/amortization and not charged to specific functions.

At June 30, 2023, the District had outstanding commitments through construction contracts related to the 2022 bond of approximately $3.3 million.

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	$ 273,064	$ 3,464,275	$ 16,406	$ 3,753,745
Accrued salaries and related liabilities	1,296,870	-	-	1,296,870
	$ 1,569,934	$ 3,464,275	$ 16,406	5,050,615
Government-wide financial statements				
Accrued interest on long-term debt				103,302
				$ 5,153,917

8. LONG-TERM DEBT

The following is a summary of bonds and other long-term liabilities of the District for the year ended June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	$ 19,660,000	$ -	$ (420,000)	$ 19,240,000	$ 670,000
Unamortized bond premium	1,356,936	-	(56,539)	1,300,397	56,539
Direct borrowing - State supplemental payment	2,436,967	-	(1,218,464)	1,218,503	1,218,503
Leases payable	-	521,612	(194,154)	327,458	217,391
Compensated absences	146,692	85,199	(42,559)	189,332	94,666
	$ 23,600,595	$ 606,811	$ (1,931,716)	$ 22,275,690	$ 2,257,099

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 August 2024. Repayments on this obligation are made as a reduction to the District's state aid payments. As of June 30, 2023, the outstanding obligation related to this supplemental payment is $1,218,503, 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, 2023 the District had deferred outflows of resources related to deferred charges on bond refundings of $820,402.

Bonds payable at June 30, 2023, are comprised of the following issues:

General obligation bonds

$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%.	$ 9,210,000
$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
	$ 19,240,000

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

Year Ended June 30,	Principal	Interest	Total
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	760,000	555,800	1,315,800
2029-2033	4,155,000	2,435,460	6,590,460
2034-2038	4,835,000	1,725,940	6,560,940
2039-2043	5,065,000	862,986	5,927,986
2044-2046	1,615,000	129,400	1,744,400
	$ 19,240,000	$ 8,104,344	$ 27,344,344

9. LEASES

Lessor - The District is involved in one agreement as a lessor that qualifies 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, 2023 was $13,842.

	Remaining Term of Agreements
Asset Type	
Communication site lease	11 years

Lease receivable activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Leases receivable	$ 210,543	$ -	$ (13,842)	$ 196,701

Lessee - The District is involved in two agreements as a lessee that qualify as long-term lease agreements. Below is a summary of the nature of these agreements. These agreements qualify as an intangible, right-to-use assets are not a financed purchase, as the District will not own the assets at the end of the contract term and the noncancelable term of the agreements surpasses one year.

	Remaining Term of Agreements
Asset Type	
Buses	2 years
Copiers	5 years

The assets acquired through leases are summarized as follows:

Buses	$ 379,344
Copiers	142,268
Less accumulated amortization	(213,378)
Net book value	$ 308,234

The net present value of future minimum payments as of June 30, 2023, were as follows:

Year Ended June 30,	Principal	Interest
2024	$ 217,391	$ 6,934
2025	26,495	2,449
2026	27,165	1,779
2027	27,851	1,093
2028	28,556	388
Total	$ 327,458	$ 12,643

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, 2023, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
State aid note	$ 1,124,908	$ 1,936,378	$ (1,735,677)	$ 1,325,609

The District has two state aid anticipation notes: Issuance 2022A-1 in the original amount of $700,000 which has an interest rate of 1.97% and is due on July 20, 2023, and 2022A-2 in the original amount of $1,2000,000, which has an interest rate of 1.99%, and is due on August 21, 2023.

11. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2023, net investment in capital assets was comprised of the following:

	Governmental Activities
Capital assets, net	$ 23,063,102
Bonds, leases, and deferred bond premiums	(20,867,855)
Unamortized charge on refunding	820,402
Unexpended bond proceeds	6,149,449
Total net investment in capital assets	$ 9,165,098

Notes to Financial Statements

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, 2021 valuation will be amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rate	Employer Rate
Basic	0.00% - 4.00%	20.14% - 20.16%
Member Investment Plan (MIP)	3.00% - 7.00%	20.14% - 20.16%
Pension Plus	3.00% - 6.40%	17.22% - 17.24%
Pension Plus 2	6.20%	19.93% - 19.95%
Defined Contribution	0.00%	13.73% - 13.75%

For the year ended June 30, 2023, required and actual contributions from the District to the pension plan were $2,818,746, which included $1,366,523, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate. In addition, the District had additional contributions of $795,846, which was a one-time, state payment toward the MPSERS unfunded liability.

The table below summarizes OPEB contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rate	Employer Rate
Premium Subsidy	3.00%	8.07% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.21% - 7.23%

For the year ended June 30, 2023, required and actual contributions from the District to the OPEB plan were $581,592.

The table below summarizes defined contribution rates in effect for fiscal year 2023:

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, 2023, required and actual contributions from the District for those members with a defined contribution benefit were $160,363.

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

At June 30, 2023, the District reported a liability of $28,539,200 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the District’s proportion was 0.07588%, which was a decrease of 0.00159% from its proportion measured as of September 30, 2021.

Notes to Financial Statements

For the year ended June 30, 2023, the District recognized pension expense of $2,392,244. At June 30, 2023, 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	$ 285,492	$ 63,811	$ 221,681
Changes in assumptions	4,904,057	-	4,904,057
Net difference between projected and actual earnings on pension plan investments	66,924	-	66,924
Changes in proportion and differences between employer contributions and proportionate share of contributions	87,551	2,912,631	(2,825,080)
	5,344,024	2,976,442	2,367,582
District contributions subsequent to the measurement date	3,420,976	-	3,420,976
Total	$ 8,765,000	$ 2,976,442	$ 5,788,558

The amount 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, 2024. 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
2024	$ 186,372
2025	33,700
2026	550,015
2027	1,597,495
Total	$ 2,367,582

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

At June 30, 2023, the District reported a liability of $1,660,506 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the District's proportion was 0.07840% which was an increase of 0.00360% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of $(782,160). At June 30, 2023, 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	$ -	$ 3,252,294	$ (3,252,294)
Changes in assumptions	1,480,062	120,515	1,359,547
Net difference between projected and actual earnings on OPEB plan investments	129,782	-	129,782
Changes in proportion and differences between employer contributions and proportionate share of contributions	274,401	1,023,700	(749,299)
	1,884,245	4,396,509	(2,512,264)
District contributions subsequent to the measurement date	503,818	-	503,818
Total	$ 2,388,063	$ 4,396,509	$ (2,008,446)

The amount 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, 2024. 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
2024	$ (819,480)
2025	(835,576)
2026	(773,360)
2027	(85,550)
2028	(6,342)
Thereafter	8,044
Total	$ (2,512,264)

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, 2021 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)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
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	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
	Post-65: 5.25% Year 1 graded to 3.5% 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, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2022, are based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.3922 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2250 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions. The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, 6.00% for the Pension Plus Plan, and 6.00% for OPEB.

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, 2022, 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%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	-0.19%	-0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short-term investment pools	2.00%	-0.47%	-0.01%
	100.00%		4.67%
Inflation			2.20%
Risk adjustment			-0.87%
Investment rate of return			6.00%

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, 2022, 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%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	-0.19%	-0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short-term investment pools	2.00%	-0.47%	-0.01%
	100.00%		4.67%
Inflation			2.20%
Risk adjustment			-0.87%
Investment rate of return			6.00%

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was -4.18% and -4.99%, 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 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. 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 6.00%, 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 (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net pension liability	$ 37,661,141	$ 28,539,200	$ 21,022,309

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 6.00%, 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 (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB liability	$ 2,785,338	$ 1,660,506	$ 713,257

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	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 695,340	$ 1,660,506	$ 2,743,923

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, 2023, the District reported a payable of $572,961 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2023.

Payable to the OPEB Plan

At June 30, 2023, the District reported a payable of $71,904 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2023.

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	$ 50,500	$ -	$ -	$ -	$ 50,500
Restricted for:					
Debt service	-	265,211	-	-	265,211
Food service	-	-	-	388,909	388,909
Capital projects	-	-	6,149,449	-	6,149,449
Total restricted	-	265,211	6,149,449	388,909	6,803,569
Committed for -					
Student service activity	-	-	-	179,383	179,383
Assigned for -					
State supplemental payment	1,218,503	-	-	-	1,218,503
Unassigned	675,631	-	-	-	675,631
Total fund balances, governmental funds	$ 1,944,634	$ 265,211	$ 6,149,449	$ 568,292	$ 8,927,586

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.

Michigan Department of Education (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 probable that the appeal will not be in favor of the District. While no final assessment has been reached, at June 30, 2023, 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. SUBSEQUENT EVENTS

State Aid Anticipation Notes

On August 22, 2023, the District received proceeds of $500,000 from State of Michigan School Aid anticipation note 2023A due July 22, 2024. The School Aid anticipation notes 2023A bears interest at 3.46%.

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REQUIRED SUPPLEMENTARY INFORMATION

MADISON DISTRICT PUBLIC SCHOOLS

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,		
	2023	2022	2021
District's proportionate share of the net pension liability	$ 28,539,200	$ 18,340,277	$ 29,923,549
District's proportion of the net pension liability	0.07588%	0.07747%	0.08711%
District's covered payroll	$ 7,716,111	$ 6,831,040	$ 7,220,933
District's proportionate share of the net pension liability as a percentage of its covered payroll	369.87%	268.48%	414.40%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.49%

See notes to required supplementary information.

Year Ended June 30,					
2020	2019	2018	2017	2016	2015
$ 32,146,446	$ 28,279,988	$ 23,088,825	$ 20,779,106	$ 19,957,428	$ 17,677,711
0.09707%	0.09407%	0.08910%	0.08330%	0.08170%	0.08030%
$ 8,562,824	$ 8,368,553	$ 7,678,086	$ 7,192,113	$ 6,767,142	$ 6,939,057
375.42%	337.93%	300.71%	288.92%	294.92%	254.76%
60.08%	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,		
	2023	2022	2021
Statutorily required contribution	$ 2,818,746	$ 2,514,488	$ 2,376,640
Contributions in relation to the statutorily required contribution	(2,818,746)	(2,514,488)	(2,376,640)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 8,075,059	$ 7,547,489	$ 6,756,074
Contributions as a percentage of covered payroll	34.91%	33.32%	35.18%

See notes to required supplementary information.

Year Ended June 30,					
2020	2019	2018	2017	2016	2015
$ 2,505,300	$ 2,667,086	$ 2,089,798	$ 1,546,040	$ 1,828,012	$ 1,356,628
(2,505,300)	(2,667,086)	(2,089,798)	(1,546,040)	(1,828,012)	(1,356,628)
$ -	$ -	$ -	$ -	$ -	$ -
$ 7,526,940	$ 8,776,299	$ 8,126,286	$ 7,499,230	$ 6,423,616	$ 6,730,909
33.28%	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,		
	2023	2022	2021
District's proportionate share of the net OPEB liability	$ 1,660,506	$ 1,141,767	$ 4,326,107
District's proportion of the net OPEB liability	0.07840%	0.07480%	0.08075%
District's covered payroll	$ 7,716,111	$ 6,831,040	$ 7,220,933
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.52%	16.71%	59.91%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%	59.76%

See notes to required supplementary information.

Year Ended June 30,		
2020	**2019**	**2018**
$ 6,978,608	$ 7,773,473	$ 7,870,750
0.09723%	0.09779%	0.08890%
$ 8,562,824	$ 8,368,553	$ 7,678,086
81.50%	92.89%	102.51%
48.67%	43.10%	36.39%

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,		
	2023	2022	2021
Statutorily required contribution	$ 581,592	$ 554,959	$ 562,224
Contributions in relation to the statutorily required contribution	(581,592)	(554,959)	(562,224)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 8,075,059	$ 7,547,489	$ 6,756,074
Contributions as a percentage of covered payroll	7.20%	7.35%	8.32%

See notes to required supplementary information.

Year Ended June 30,		
2020	2019	2018
$ 604,835	$ 689,380	$ 596,354
(604,835)	(689,380)	(596,354)
$ -	$ -	$ -
$ 7,526,940	$ 8,776,299	$ 8,126,286
8.04%	7.86%	7.34%

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:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 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

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, 2023

	Special Revenue		
	Food Service Fund	**Student/ School Activity Fund**	**Total Nonmajor Governmental Funds**
Assets			
Cash and investments	$ 388,176	$ 182,713	$ 570,889
Due from other governments	13,809	-	13,809
Total assets	$ 401,985	$ 182,713	$ 584,698
Liabilities			
Accounts payable	$ 13,076	$ 3,330	$ 16,406
Fund balances			
Restricted	388,909	-	388,909
Committed	-	179,383	179,383
Total fund balances	388,909	179,383	568,292
Total liabilities and fund balances	$ 401,985	$ 182,713	$ 584,698

MADISON DISTRICT PUBLIC SCHOOLS

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

Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue		
	Food Service Fund	**Student/ School Activity Fund**	**Total Nonmajor Governmental Funds**
Revenues			
Local sources - other sources	$ 32,662	$ 84,500	$ 117,162
State sources	13,287	-	13,287
Federal sources	945,806	-	945,806
Total revenues	991,755	84,500	1,076,255
Expenditures			
Current -			
Support services:			
Food service	1,028,805	-	1,028,805
Student/school activity	-	80,709	80,709
Capital outlay	3,523	-	3,523
Total expenditures	1,032,328	80,709	1,113,037
Net change in fund balances	(40,573)	3,791	(36,782)
Fund balance, beginning of year	429,482	175,592	605,074
Fund balance, end of year	$ 388,909	$ 179,383	$ 568,292

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SINGLE AUDIT ACT COMPLIANCE

MADISON DISTRICT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

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	221971
School Breakfast Program 2021-22	10.553	MDE	221970
School Breakfast Program 2022-23	10.553	MDE	231970
Entitlement commodities (non-cash assistance)	10.555	MDE	n/a
Bonus commodities (non-cash assistance)	10.555	MDE	n/a
Seamless Summer Option (SSO) Lunch	10.555	MDE	221961
School Lunch Program 2021-22	10.555	MDE	221960
School Lunch Program 2022-23	10.555	MDE	231960
National School Lunch Program - After School Snack	10.555	MDE	221980
National School Lunch Program - After School Snack	10.555	MDE	231980
Supply Chain Assistance	10.555	MDE	220910
Supply Chain Assistance	10.555	MDE	230910
Extended Summer Food Service Program for Children	10.559	MDE	220900
Total Child Nutrition Cluster			
Child and Adult Care Food Program (CACFP)	10.558	MDE	221920
Child and Adult Care Food Program (CACFP)	10.558	MDE	231920
CNP School Breakfast Expansion Grant	10.579	MDE	221995
COVID-19 - Pandemic EBT Administrative Costs	10.649	MDE	210980
Total U.S. Department of Agriculture			
U.S. Department of Treasury			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) - School Mental Health Grant Program	21.027	OCISD	n/a
U.S. Department of Education			
Special Education Cluster (IDEA):			
Special Education Grants to States - Flowthrough			
2021-22	84.027	OCISD	220450-2122
2022-23	84.027	OCISD	230450-2223
COVID-19 - American Rescue Plan (ARP) - 2021-22	84.027X	OCISD	221280-2122
Special Education Preschool Grants - Preschool Initiative:			
2021-22	84.173	OCISD	220460-2122
2022-23	84.173	OCISD	230460-2223
COVID-19 - American Rescue Plan (ARP) - 2021-22	84.173X	OCISD	221285-2122
Total Special Education Cluster (IDEA)			

Approved Grant Award Amount	Expenditures (Memo Only) Prior Year(s)	Accrued (Unearned) Revenue July 1, 2022	Adjustments	Current Year Cash Received	Expenditures Year Ended June 30, 2023	Accrued (Unearned) Revenue June 30, 2023
$ 227,429	$ 209,856	$ -	$ -	$ 17,573	$ 17,573	$ -
34,083	-	-	-	34,083	34,083	-
217,389	-	-	-	217,389	217,389	-
		-	-	269,045	269,045	-
67,713	-	-	-	67,713	67,713	-
8,904	-	-	-	8,904	8,904	-
408,701	377,211	-	-	31,490	31,490	-
62,760	-	-	-	62,760	62,760	-
433,303	-	-	-	433,303	433,303	-
337	-	-	-	337	337	-
3,161	-	-	-	3,161	3,161	-
45,147	22,407	-	-	22,740	22,740	-
13,345	-	-	-	13,345	13,345	-
		-	-	643,753	643,753	-
16,882	-	-	-	16,882	16,882	-
		-	-	929,680	929,680	-
2,392	2,035	891	-	1,248	357	-
2,634	-	-	-	2,634	2,634	-
		891	-	3,882	2,991	-
10,000	-	-	-	-	10,000	10,000
6,198	3,063	-	-	3,135	3,135	-
		891	-	936,697	945,806	10,000
350,000	-	-	-	350,000	66,439	(283,561)
302,586	302,586	302,586	-	302,586	-	-
278,353	-	-	-	-	278,353	278,353
69,649	-	-	-	-	69,649	69,649
		302,586	-	302,586	348,002	348,002
21,302	21,302	21,302	-	21,302	-	-
18,523	-	-	-	-	18,523	18,523
12,561	-	-	-	-	12,561	12,561
		21,302	-	21,302	31,084	31,084
		323,888	-	323,888	379,086	379,086

continued…

MADISON DISTRICT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

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:			
2021-22	84.010	MDE	221530-2122
2022-23	84.010	MDE	231530-2223
Title III, English Language Acquisition State Grants:			
2021-22	84.365	MDE	220580-2122
2022-23	84.365	MDE	230580-2223
Title II, Part A - Supporting Effective Instruction State Grants:			
2021-22	84.367	MDE	220520-2122
2022-23	84.367	MDE	230520-2223
Title IV, Part A - Student Support and Academic Enrichment Program:			
2021-22	84.424	MDE	220750-2122
2022-23	84.424	MDE	230750-2223
COVID-19 - Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief (ESSER) Fund:			
ESSER Formula Funds II	84.425D	MDE	213712-2021
ESSER III - American Rescue Plan	84.425U	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, 2022	Adjustments	Current Year Cash Received	Expenditures Year Ended June 30, 2023	Accrued (Unearned) Revenue June 30, 2023
$ 602,866	$ 276,931	$ 11,688	$ -	$ 213,086	$ 201,398	$ -
403,508	-	-	-	249,709	243,245	(6,464)
		11,688	-	462,795	444,643	(6,464)
13,776	13,776	13,776	(451)	13,325	-	-
11,620	-	-	-	10,090	11,601	1,511
		13,776	(451)	23,415	11,601	1,511
121,987	40,753	-	-	64,112	33,264	(30,848)
95,968	-	-	-	36,666	5,874	(30,792)
		-	-	100,778	39,138	(61,640)
28,431	28,431	28,431	-	28,431	-	-
26,217	-	-	-	-	26,216	26,216
		28,431	-	28,431	26,216	26,216
1,232,406	848,049	59,465	-	443,822	384,357	-
2,769,778	1,156,466	165,566	-	165,390	254,683	254,859
		225,031	-	609,212	639,040	254,859
		602,814	(451)	1,548,519	1,539,724	593,568
		$ 603,705	$ (451)	$ 2,835,216	$ 2,551,969	$ 320,007

concluded

MADISON DISTRICT PUBLIC SCHOOLS

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, 2023. 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	$ 2,717,639
Federal assistance received as beneficiary	(165,670)
Expenditures per schedule of expenditures of federal awards	$ 2,551,969

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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the Board
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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 1, 2023.

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

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*.

The District's Response to Findings
Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

ROSLUND, PRESTAGE & COMPANY, P.C.
525 WEST WARWICK DRIVE, SUITE A, ALMA, MICHIGAN

Purpose of This Report

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

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Members of the Board
Madison District Public Schools
Madison Heights, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Madison District Public Schools' (the District's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Auditor's 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 each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's 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 generally accepted auditing standards, *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 each major federal program as a whole.

ROSLUND, PRESTAGE & COMPANY, P.C.
525 WEST WARWICK DRIVE, SUITE A, ALMA, MICHIGAN

In performing an audit in accordance with generally accepted auditing standards, *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.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 1, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

November 1, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report based on financial statements prepared in accordance with generally accepted accounting principles:	Unmodified
• Material weakness(es) identified?	_____ Yes __X__ No
• Significant deficiency(ies) identified?	__X__ Yes _____ None Reported
• Noncompliance material to financial statements noted?	_____ Yes __X__ No

FEDERAL AWARDS

Internal control over major program:

• Material weakness(es) identified?	_____ Yes __X__ No
• Significant deficiency(ies) identified?	_____ Yes __X__ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes __X__ No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.553, 10.555 and 10.559	Child Nutrition Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:	$750,000
• Auditee qualified as low-risk auditee?	_____ Yes __X__ No

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2023-001 – Preparation of Schedule of Expenditures of Federal Awards (SEFA) (repeat comment)

Type:	Significant deficiency in internal control over financial reporting.
Condition:	The District initially overreported the Federal expenditures on its SEFA related to ALN 84.425, ESSER III, by $87,175.
Criteria:	2 CFR 200.508(b) requires the District to “Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section 200.510” - Financial Statements.
Cause:	Management oversight
Effect:	Expenses originally listed on the schedule of expenditures of Federal awards were overstated.
Recommendation:	We recommend that the District evaluate its processes for identifying all federal award costs to be included on the schedule of expenditures of Federal awards to ensure that that all Federal expenditures are properly reported.
Management’s Resp:	The District is in agreement with the finding. The District will review and update its processes over the preparation of the schedule of expenditures of federal awards to ensure that the schedule is completed accurately in the future.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Finding 2022-001 – Material Audit Adjustments

Type: Material weakness in internal control over financial reporting.

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.

Status: Issue not noted during current year testing.

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

Type: Material weakness in internal control over financial reporting.

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.

Status: Repeat comment – see finding 2023-001.

Finding 2022-003 – Allowable Costs/Cost Principles - Disbursements

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

Federal Program: Education Stabilization Fund (ALN 84.425); all project numbers

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.

Status: Issue not noted during current year testing.

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

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

Federal Program: Education Stabilization Fund (ALN 84.425); all project numbers

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.

Status: Issue not noted during current year testing.

MEMORANDUM

TO: Michigan Department of Education

FROM: Roslund, Prestage & Company, P.C.

REGARDING: Management Letter - Madison District Public Schools

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According the requirements set forth in the Michigan School Audit Manual, this memorandum is to serve as notification that a management letter has not been issued for Madison District Public Schools as of June 30, 2023.

Communication with Those Charged with Governance at the Conclusion of the Audit

To the Members of the Board
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) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters
Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the payout of employee compensated absences is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's allocation of current and noncurrent compensated absences is based on an estimate of the percentage of employee's use of compensated absences.
>
> Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimated incremental borrowing rate used to discount future payments under GASB 87 is based on the entity's current borrowing rate. We evaluated the key factors and assumptions used to develop the estimated intrinsic borrowing rate in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> The assumptions used in the actuarial valuations of the pension and other postemployment benefit plans are based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the information used in the financial statements in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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

Management Representations
We have requested certain representations from management that are included in the management representation letter.

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

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters
We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedule and the prospective 10-year trend information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use
This information is intended solely for the information and use of the Board and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants