
Madison District Public Schools

**Financial Report
with Supplemental Information
June 30, 2019**

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Independent Auditor's Report

To the Board of Education
Madison District Public Schools

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Madison District Public Schools as of June 30, 2019 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

To the Board of Education
Madison District Public Schools

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Madison District Public Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019 on our consideration of Madison District Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison District Public Schools' internal control over financial reporting and compliance.



October 29, 2019

This section of the annual financial report for Madison District Public Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2019. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

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

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Schedule of Proportionate Share of Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Other Supplemental Information

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

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

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

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

Reporting the School District's Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

The School District has certain fiduciary responsibility for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Madison District Public Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2019 and 2018:

	Governmental Activities	
	2019	2018
	(in millions)	
Assets		
Current and other assets	\$ 5.0	\$ 4.6
Capital assets	20.3	21.0
Total assets	25.3	25.6
Deferred Outflows of Resources	12.9	7.0
Liabilities		
Current liabilities	4.0	3.4
Noncurrent liabilities	14.8	13.6
Net pension liability	28.3	23.1
Net OPEB liability	7.8	7.9
Total liabilities	54.9	48.0
Deferred Inflows of Resources	5.0	2.7
Net Position		
Net investment in capital assets	8.1	7.8
Restricted	0.4	-
Unrestricted	(30.2)	(25.9)
Total net position	<u>\$ (21.7)</u>	<u>\$ (18.1)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(21.7) million at June 30, 2019. Net investment in capital assets totaling \$8.1 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(30.2) million) was unrestricted.

The \$(30.2) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of GASB Statement Nos. 68 and 75 (recording the School District's share of the net pension and OPEB liabilities from the state-managed retirement system). Unrestricted net position, when available, would enable the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund and the change in the net pension and OPEB liabilities will have a significant impact on the change in unrestricted net position from year to year.

Madison District Public Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2019 and 2018.

	Governmental Activities	
	2019	2018
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.6	\$ 0.5
Operating grants	5.1	6.1
General revenue:		
Taxes	3.6	3.5
State aid not restricted to specific purposes	12.8	11.6
Other	0.5	0.2
Total revenue	22.6	21.9
Expenses		
Instruction	14.2	11.9
Support services	9.1	8.1
Athletics	0.3	-
Food services	1.5	1.4
Community services	0.6	0.4
Debt service	0.5	0.5
Total expenses	26.2	22.3
Change in Net Position	(3.6)	(0.4)
Net Position - Beginning of year	(18.1)	(17.7)
Net Position - End of year	<u>\$ (21.7)</u>	<u>\$ (18.1)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$26.2 million. Certain activities were partially funded from those who benefited from the programs (\$0.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5.1 million). We paid for the remaining "public benefit" portion of our governmental activities with \$3.6 million in taxes, \$12.8 million in state foundation allowance, and our other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$3.6 million.

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

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$0.5 million, which is a decrease of \$0.7 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance decreased \$0.9 million to \$0.2 million. With the new collective bargaining agreements, the raises received by school district employees increased the overall amount of expenditures.

Madison District Public Schools

Management's Discussion and Analysis (Continued)

The fund balance of our special revenue funds decreased from \$0.1 million last year to \$(0.1) million this year as a result of the Child Care Fund expenditures exceeding revenue. At June 30, 2019, the Child Care Fund has a fund deficit of \$222,430. Any operating deficit generated by the Child Care Fund is the responsibility of the General Fund. At June 30, 2019, the General Fund has a fund balance of \$168,424. The School District also has approximately \$528,502 of federal unavailable revenue that was deferred into the 2019-2020 school year, as it was not collected within 60 days after June 30, 2019. After considering this revenue, the School District's unrestricted fund balance would be \$696,926 if that revenue was received within the 60 days. The School District has approved budgets for the 2019-2020 school year, for which there is a plan to eliminate the deficit in the Child Care Fund.

The fund balance of our debt service fund increased by \$0.4 million. Millage rates did not change from last year in order to keep the consistency of the debt service fund fund balance. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2019. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2018-2019 General Fund original budget. Budgeted revenue was increased \$1.4 million due to an unexpected change in certain categorical revenue from the State and an unanticipated increase in foundation allowance payments due to actual student enrollment greater than original estimates, as well as federal grant awards being higher than originally projected.

Budgeted expenditures were also increased \$2.2 million to account for the increase in salaries and purchased professional services resulting from the School District's revised operating plan due to the fluctuations in various bargaining agreements and contracts. The amount of transfers to other funds established in the amended budget was \$0.1 million and represents support provided by the General Fund to other functions.

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the School District had \$20.3 million and \$21.0 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This represents a net decrease (including additions, disposals, and depreciation) of approximately \$0.7 million from 2018 to 2019.

	<u>2019</u>	<u>2018</u>
Land	\$ 1,732,004	\$ 1,732,004
Buildings and improvements	31,091,303	31,091,303
Furniture and equipment	2,041,582	1,868,038
Vehicles	99,369	99,369
Land improvements	<u>2,660,049</u>	<u>2,660,049</u>
Total capital assets	37,624,307	37,450,763
Less accumulated depreciation	<u>17,293,400</u>	<u>16,499,409</u>
Total capital assets - Net of accumulated depreciation	<u>\$ 20,330,907</u>	<u>\$ 20,951,354</u>

This year's additions of \$0.2 million included student furniture, fiberlink cabling, robot, smart boards, playground equipment, and other technology. No major capital projects are planned for the 2019-2020 fiscal year. We anticipate capital additions will be comparable to this year. We present more detailed information about our capital assets in the notes to the financial statements.

Madison District Public Schools

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the School District had \$10.3 million in bonds outstanding versus \$10.7 million in the previous year.

Those bonds consisted of the following:

	<u>2019</u>	<u>2018</u>
General obligation bonds	\$ 10,285,000	\$ 10,650,000

The School District's general obligation bond rating continues to be AA for local currency and A- for the credit program. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt" (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$10.3 million is significantly below the statutorily imposed limit.

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

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2019 - 2020 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2019-2020 budget was adopted in June 2019 based on an estimate of students who will enroll in September 2019. Approximately 78.0 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2019 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2019-2020 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The state periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are not sufficient to fund the appropriation, including a foundation allowance increase of \$240 per pupil. Due to increases in the state-required contribution to the retirement system and increases in healthcare costs, the School District estimates that the net increase in per pupil funding to fund other operating costs will be \$240 per pupil.

Contacting the School District's Management

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

Madison District Public Schools

Statement of Net Position

June 30, 2019

	Governmental Activities
	<u> </u>
Assets	
Cash and investments (Note 4)	\$ 1,305,467
Receivables:	
Other receivables	101,296
Due from other governments	3,541,695
Prepaid expenses	1,694
Capital assets - Net (Note 6)	<u>20,330,907</u>
Total assets	25,281,059
Deferred Outflows of Resources	
Deferred pension costs (Note 13)	10,855,623
Deferred OPEB costs (Note 13)	<u>2,015,076</u>
Total deferred outflows of resources	12,870,699
Liabilities	
Accounts payable	211,060
Accrued liabilities and other	1,506,440
State aid anticipation note (Note 8)	2,232,400
Unearned revenue (Note 5)	14,450
Noncurrent liabilities:	
Due within one year (Note 9)	573,495
Due in more than one year:	
Compensated absences (Note 9)	160,591
Bonds payable (net of unamortized premiums and discounts) and capital leases (Note 9)	12,006,595
Contingent liability (Note 15)	2,086,970
Net pension liability (Note 13)	28,279,988
Net OPEB liability (Note 13)	<u>7,773,473</u>
Total liabilities	54,845,462
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the measurement date (Note 13)	1,085,770
Deferred pension cost reductions (Note 13)	2,196,139
Deferred OPEB cost reductions (Note 13)	<u>1,748,217</u>
Total deferred inflows of resources	<u>5,030,126</u>
Net Position	
Net investment in capital assets	8,113,058
Restricted - Debt service	400,609
Unrestricted	<u>(30,237,497)</u>
Total net position	<u><u>\$ (21,723,830)</u></u>

Madison District Public Schools

Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 14,151,273	\$ -	\$ 2,665,281	\$ (11,485,992)
Support services	9,096,924	-	1,142,264	(7,954,660)
Athletics	337,880	18,890	-	(318,990)
Food services	1,466,536	43,315	1,299,686	(123,535)
Community services	589,455	506,720	-	(82,735)
Interest	512,594	-	-	(512,594)
Other debt costs	7,073	-	-	(7,073)
Total primary government	\$ 26,161,735	\$ 568,925	\$ 5,107,231	(20,485,579)
General revenue:				
Taxes:				
Property taxes levied for general purposes				1,944,739
Property taxes levied for debt service				1,657,560
State aid not restricted to specific purposes				12,756,768
Interest and investment earnings				36,755
Other				515,164
Total general revenue				16,910,986
Change in Net Position				(3,574,593)
Net Position - Beginning of year				(18,149,237)
Net Position - End of year				\$ (21,723,830)

Madison District Public Schools

Governmental Funds Balance Sheet

June 30, 2019

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and investments (Note 4)	\$ 716,037	\$ 589,430	\$ 1,305,467
Receivables:			
Other receivables	100,173	1,123	101,296
Due from other governments	3,456,011	85,684	3,541,695
Due from other funds (Note 7)	187,689	-	187,689
Prepaid expenses	1,694	-	1,694
	<u>\$ 4,461,604</u>	<u>\$ 676,237</u>	<u>\$ 5,137,841</u>
Total assets			
Liabilities			
Accounts payable	\$ 174,268	\$ 36,792	\$ 211,060
Due to other funds (Note 7)	-	187,689	187,689
Accrued liabilities and other	1,344,683	90,081	1,434,764
State aid anticipation note (Note 8)	2,232,400	-	2,232,400
Unearned revenue (Note 5)	14,450	-	14,450
	<u>3,765,801</u>	<u>314,562</u>	<u>4,080,363</u>
Total liabilities			
Deferred Inflows of Resources - Unavailable revenue (Note 5)	<u>527,379</u>	<u>1,123</u>	<u>528,502</u>
Total liabilities and deferred inflows of resources	4,293,180	315,685	4,608,865
Fund Balances			
Nonspendable - Prepaids	1,694	-	1,694
Restricted:			
Debt service	-	472,285	472,285
Food service	-	110,697	110,697
Unassigned	166,730	(222,430)	(55,700)
	<u>168,424</u>	<u>360,552</u>	<u>528,976</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,461,604</u>	<u>\$ 676,237</u>	<u>\$ 5,137,841</u>

Madison District Public Schools

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 528,976
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	37,624,307
Accumulated depreciation	<u>(17,293,400)</u>
Net capital assets used in governmental activities	20,330,907
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	528,502
Bonds payable including associated discounts and premiums, school loan revolving fund, capital lease obligations, and contingent liabilities are not due and payable in the current period and are not reported in the funds	(14,531,866)
Accrued interest is not due and payable in the current period and is not reported in the funds	(71,676)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(295,785)
Net pension liability and related deferred inflows and outflows	(19,620,504)
Net OPEB liability and related deferred inflows and outflows	(7,506,614)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(1,085,770)</u>
Net Position of Governmental Activities	<u><u>\$ (21,723,830)</u></u>

Madison District Public Schools

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

Year Ended June 30, 2019

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenue			
Local sources	\$ 2,656,330	\$ 2,066,813	\$ 4,723,143
State sources	16,009,857	38,865	16,048,722
Federal sources	227,433	1,356,878	1,584,311
Interdistrict sources	788,234	-	788,234
Total revenue	<u>19,681,854</u>	<u>3,462,556</u>	<u>23,144,410</u>
Expenditures			
Current:			
Instruction	12,012,871	-	12,012,871
Support services	7,846,441	95,334	7,941,775
Athletics	327,792	-	327,792
Food services	-	1,432,245	1,432,245
Community services	118,323	455,841	574,164
Debt service:			
Principal	68,489	865,000	933,489
Interest	-	429,856	429,856
Other debt costs	7,073	-	7,073
Capital outlay	180,374	2,399	182,773
Total expenditures	<u>20,561,363</u>	<u>3,280,675</u>	<u>23,842,038</u>
Net Change in Fund Balances	(879,509)	181,881	(697,628)
Fund Balances - Beginning of year	<u>1,047,933</u>	<u>178,671</u>	<u>1,226,604</u>
Fund Balances - End of year	<u><u>\$ 168,424</u></u>	<u><u>\$ 360,552</u></u>	<u><u>\$ 528,976</u></u>

Madison District Public Schools

Governmental Funds

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

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ (697,628)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	173,543
Depreciation expense	(793,990)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	528,502
Revenue in support of pension contributions made subsequent to the measurement date	1,298,425
Repayment of bond principal, School Loan Revolving Fund, and capital leases is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	852,342
Interest expense is recognized in the government-wide statements as it accrues	(1,591)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(2,847,226)
Contingent liabilities that do not use current financial resources are not reported as expenditures in the governmental funds	(2,086,970)
Change in Net Position of Governmental Activities	<u><u>\$ (3,574,593)</u></u>

Madison District Public Schools

Fiduciary Fund Statement of Fiduciary Assets and Liabilities

June 30, 2019

	<u>Agency Fund</u>
Assets - Cash and cash equivalents	\$ 157,626
Liabilities	
Accounts payable	\$ 7,617
Due to student activities	<u>150,009</u>
Total liabilities	<u>\$ 157,626</u>

June 30, 2019

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

Report Presentation

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

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

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

Governmental Funds

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

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

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

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District maintains a student activity agency fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held for the students.

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

Basis of Accounting

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

Note 2 - Significant Accounting Policies (Continued)

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

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

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Investments

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

Note 2 - Significant Accounting Policies (Continued)

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

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

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

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

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

Net Position

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

Property Tax Revenue

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

Grants and Contributions

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

Pension and Other Postemployment Benefits (OPEB) Plans

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

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

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

Use of Estimates

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

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District has evaluated the impact this standard will have on the financial statements. As of July 1, 2019, the School District will report the activities and related balances currently reported as fiduciary in a newly created special revenue fund. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

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

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

Note 3 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Fund Deficit and Management's Plan

Under Michigan law, school districts are required to maintain a positive fund balance in each fund. The School District had a fund balance deficit in the Child Care Fund of \$(222,430) at June 30, 2019. Any operating deficit generated by this fund is the responsibility of the General Fund. The School District plans to reduce expenditures in the Child Care Fund's operations and eliminate the accumulated deficit by June 30, 2020.

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

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

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

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

Custodial Credit Risk of Bank Deposits

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

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2019, the School District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy minimizes interest rate risk by maintaining an acceptable level of liquidity to meet the School District's operating needs. At June 30, 2019, the School District does not have investments with custodial credit risk.

Note 4 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy minimizes credit risk by investing in securities with authorized investment institutions and dealers that must establish eligibility by meeting certain requirements. As of June 30, 2019, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
Michigan Liquid Asset Fund Cash Management Money Market Fund	\$ 1,677,576	AAAm	S&P
Michigan Liquid Asset Fund MAX Class Money Market Fund	225,222	AAAm	S&P
Total	<u>\$ 1,902,798</u>		

Concentration of Credit Risk

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

Foreign Currency Risk

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

Note 5 - Unavailable/Unearned Revenue

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

At June 30, 2019, the various components of unearned and unavailable revenue were as follows:

	Deferred Inflow - Unavailable	Liability - Unearned	Total
Grant receivables unavailable for use in the current period	\$ 528,502	\$ -	\$ 528,502
Laptop rental fee prepayments	-	14,450	14,450
Total	<u>\$ 528,502</u>	<u>\$ 14,450</u>	<u>\$ 542,952</u>

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated - Land	\$ 1,732,004	\$ -	\$ -	\$ 1,732,004
Capital assets being depreciated:				
Buildings and improvements	31,091,303	-	-	31,091,303
Furniture and equipment	1,868,038	173,543	-	2,041,581
Vehicles	99,369	-	-	99,369
Land improvements	2,660,049	-	-	2,660,049
Subtotal	35,718,759	173,543	-	35,892,302
Accumulated depreciation:				
Buildings and improvements	13,003,554	639,105	-	13,642,659
Furniture and equipment	959,446	134,750	-	1,094,196
Vehicles	66,475	-	-	66,475
Buses and other vehicles	-	5,321	-	5,321
Land improvements	2,469,934	14,814	-	2,484,748
Subtotal	16,499,409	793,990	-	17,293,399
Net capital assets being depreciated	19,219,350	(620,447)	-	18,598,903
Net governmental activities capital assets	\$ 20,951,354	\$ (620,447)	\$ -	\$ 20,330,907

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

Governmental activities:	
Instruction	\$ 392,069
Support services	394,341
Food services	7,580
Total governmental activities	\$ 793,990

Note 7 - Interfund Receivables, Payables, and Transfers

The balance of \$187,689 owed to the General Fund from the Child Care Fund is a result of a pooled cash arrangement and the time lag between the dates that goods and services are provided for the funds and when the reimbursements between the funds are made.

Note 8 - Short-term Debt

State Aid Anticipation Note

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

During the year, the School District repaid \$2,435,875 of these state aid anticipation notes (the "notes") and issued new notes totaling \$3,300,000, resulting in an outstanding balance plus accrued interest of \$2,232,400 at June 30, 2019. The new notes include (i) a principal amount of \$1,900,000 that bears interest at 2.65 percent and is due on August 20, 2019 and (ii) a principal amount of \$1,400,000 that bears interest at 1.85 percent, which are to be paid in five monthly principal increments of \$280,000 beginning in March 2019 through July 2019. At June 30, 2019, the School District has accrued interest of \$73,120 on these notes.

Subsequent to year end, on August 20, 2019, Madison District Public Schools borrowed \$3,300,000 collectively in two series of state aid anticipation notes. The notes bear interest not exceeding 1.3 percent and are due on August 20, 2020.

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

Note 9 - Long-term Debt

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Direct borrowings and direct placements - School Loan Revolving Fund	\$ 2,470,408	\$ 79,870	\$ (500,000)	\$ 2,050,278	\$ -
Other debt - General obligation bonds	10,650,000	-	(365,000)	10,285,000	370,000
Unamortized bond premiums	114,990	-	(4,600)	110,390	4,600
Unamortized bond discounts	(146,912)	-	5,877	(141,035)	(5,877)
Total bonds payable	13,088,486	79,870	(863,723)	12,304,633	368,723
Capital leases	208,752	-	(68,489)	140,263	69,578
Compensated absences	328,879	128,572	(161,666)	295,785	135,194
Total governmental activities long-term debt	<u>\$ 13,626,117</u>	<u>\$ 208,442</u>	<u>\$ (1,093,878)</u>	<u>\$ 12,740,681</u>	<u>\$ 573,495</u>

Note 9 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's bonds are qualified bonds and fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2019 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities				
School Building and Site Bonds - due in annual installments of \$370,000 to \$495,000	2013	3.00% - 4.25%	2043	\$ 10,285,000

Other Long-term Liabilities

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

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities		
	Other Debt		
	Principal	Interest	Total
2020	\$ 370,000	\$ 418,906	\$ 788,906
2021	375,000	407,806	782,806
2022	380,000	392,806	772,806
2023	385,000	377,606	762,606
2024	390,000	362,206	752,206
2025-2029	2,025,000	1,577,530	3,602,530
2030-2034	2,150,000	1,163,912	3,313,912
2035-2039	2,275,000	703,376	2,978,376
2040-2043	1,935,000	207,402	2,142,402
Total	\$ 10,285,000	\$ 5,611,550	\$ 15,896,550

Note 9 - Long-term Debt (Continued)

School Loan Revolving Fund

The School Loan Revolving Fund payable represents a direct borrowing from the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005 (the "Act"), as amended. The School Loan Revolving Fund is accessible to school districts for borrowings that initiated after July 19, 2005. Interest during the year ended June 30, 2019 ranged from 3.19 percent to 3.46 percent. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is June 30, 2049. If the School District fails to levy the appropriate debt mills in accordance with the agreement or defaults in loan repayment, the School District shall increase its debt levy in the next succeeding year, and a default late charge of 3 percent will apply. Due to the variability of the factors that affect the timing of repayment, including the future amount of state equalized value of property in the School District, no provision for repayment has been included in the above debt maturity schedule. If the School District is in default of the loan agreement, the State of Michigan may withhold state aid funding until repayment terms satisfactory with the State of Michigan have been made.

Note 10 - Leases

Operating Leases

The School District leases buses and copiers under noncancelable operating leases through 2022. Total costs for such leases were \$250,996 in the current year. The bus lease was entered into on March 29, 2019 and includes an annual fixed payment, plus \$0.55 per mile for each mile over 15,000 miles per vehicle on an annual basis. The future minimum lease payments for these leases are as follows:

Years Ending	Amount
2020	\$ 227,594
2021	227,594
2022	186,334
Total	<u>\$ 641,522</u>

Capital Leases

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

Years Ending	Amount
2020	\$ 71,809
2021	71,809
Total	143,618
Less amount representing interest	<u>3,354</u>
Present value	<u>\$ 140,264</u>

Note 11 - Charter Agreement

The School District has a five-year contract to charter KEYS Grace Academy (the "Academy") through June 30, 2025. The School District collects 3 percent of the Academy's state aid as part of the administrative fees. Total fees paid for the year ended June 30, 2019 were approximately \$106,000.

On July 1, 2018, the School District renewed a lease with the Academy in which the School District leases space to the Academy through the 2024-2025 fiscal year. Rental revenue collected for the year ended June 30, 2019 was approximately \$225,000. Future lease payments to be received are as follows:

2020	\$	250,000
2021		265,000
2022		280,000
2023		300,000
2024		310,000
2025		320,000
		<hr/>
Total	\$	<u>1,725,000</u>

Note 12 - Risk Management

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

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

Note 13 - Michigan Public School Employees' Retirement System

Plan Description

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

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

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment healthcare plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment healthcare plan.

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

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

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

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

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

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

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

Contributions

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

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

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

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

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

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2019 were \$2,738,903, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$1,085,770 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2019.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2019 were \$754,821, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2019, the School District reported a liability of \$28,279,988 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the School District's proportion was 0.0941 and 0.0891 percent, respectively, representing a change of 5.58 percent.

Net OPEB Liability

At June 30, 2019, the School District reported a liability of \$7,773,473 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the School District's proportion was 0.0978 and 0.0889 percent, respectively, representing a change of 10.03 percent.

June 30, 2019

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

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

For 2019, the School District recognized pension expense of \$4,238,170, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 131,224	\$ (205,506)
Changes in assumptions	6,549,622	-
Net difference between projected and actual earnings on pension plan investments	-	(1,933,632)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	1,897,348	(57,001)
The School District's contributions to the plan subsequent to the measurement date	2,277,429	-
	<u>2,277,429</u>	<u>-</u>
Total	<u>\$ 10,855,623</u>	<u>\$ (2,196,139)</u>

The \$1,085,770 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>Amount</u>
2020	\$ 2,523,949
2021	1,972,896
2022	1,364,748
2023	520,462
Total	<u>\$ 6,382,055</u>

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

June 30, 2019

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

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

For the year ended June 30, 2019, the School District recognized OPEB expense of \$524,637.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (1,446,843)
Changes in assumptions	823,215	-
Net difference between projected and actual earnings on OPEB plan investments	-	(298,753)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	670,602	(2,621)
Employer contributions to the plan subsequent to the measurement date	521,259	-
	<u>521,259</u>	<u>-</u>
Total	<u>\$ 2,015,076</u>	<u>\$ (1,748,217)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending</u>	<u>Amount</u>
2020	\$ (82,609)
2021	(82,609)
2022	(82,609)
2023	(21,690)
2024	15,117
	<u>15,117</u>
Total	<u>\$ (254,400)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2018 are based on the results of an actuarial valuation as of September 30, 2017 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 7.05%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.15%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75% for 2019 and 3.50% for 2018
Healthcare cost trend rate - OPEB	7.50%	Year 1 graded to 3.0% year 12
Mortality basis		RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 7.05 percent as of September 30, 2018 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.70 %
Private equity pools	18.00	9.20
International equity pools	16.00	7.20
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	3.90
Absolute return pools	15.50	5.20
Short-term investment pools	2.00	-
Total	100.00 %	

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

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (5.00 - 6.05%)	Current Discount Rate (6.00 - 7.05%)	1 Percent Increase (7.00 - 8.05%)
Net pension liability of the School District	\$ 37,129,440	\$ 28,279,988	\$ 20,927,532

June 30, 2019

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

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

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

	1 Percent Decrease (6.15%)	Current Discount Rate (7.15%)	1 Percent Increase (8.15%)
Net OPEB liability of the School District	\$ 9,331,896	\$ 7,773,473	\$ 6,462,649

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	1 Percent Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 6,393,596	\$ 7,773,473	\$ 9,356,474

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2019, the School District reported a payable of \$350,011 and \$66,711 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019.

Note 14 - Tax Abatements

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

For the fiscal year ended June 30, 2019, there were no reductions to the School District's property tax revenue under these programs.

June 30, 2019

Note 15 - Contingent Liabilities

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

The School District has a home-school program called the Madison Virtual Academy whereby certain students attend noncore classes at the School District, and the School District is able to claim a fraction of each student as it relates to membership for purposes of determining the amount of state aid that is received from the State of Michigan. The student counts are required to be audited by the intermediate school district on an annual basis. The intermediate school district has proposed negative audit adjustments in regard to the membership claimed in this program, which has been reported to the Michigan Department of Education (MDE) for the fiscal year ended June 30, 2018. The School District has appealed the adjustments, and the MDE has agreed not to reduce the School District's state aid payments while the audit adjustments are in appeal. As of October 29, 2019, this matter is still pending resolution. While the School District will continue to vigorously defend its position, it is probable that the appeal will not be in favor of the School District. While no final assessment has been reached, at June 30, 2019, the School District has recorded a contingent liability on the statement of net position in the amount of \$2,086,970 related to the fiscal year ended June 30, 2018, which is an estimate of the amount that the School District may be required to pay the MDE if the appeal is lost.

Required Supplemental Information

Madison District Public Schools

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 2,107,026	\$ 2,482,973	\$ 2,656,330	\$ 173,357
State sources	15,042,232	15,830,001	16,009,857	179,856
Federal sources	732,558	911,323	227,433	(683,890)
Interdistrict and other sources	681,441	741,661	788,234	46,573
Total revenue	18,563,257	19,965,958	19,681,854	(284,104)
Expenditures				
Current:				
Instruction:				
Basic programs	7,904,060	10,098,917	10,063,529	(35,388)
Added needs	2,314,347	2,067,842	2,073,414	5,572
Total instruction	10,218,407	12,166,759	12,136,943	(29,816)
Support services:				
Pupil	1,395,526	988,603	991,239	2,636
Instructional staff	949,962	684,579	685,285	706
General administration	657,897	686,307	692,604	6,297
School administration	1,327,455	1,445,611	1,459,057	13,446
Business	785,611	651,897	650,526	(1,371)
Operations and maintenance	1,908,321	2,228,642	2,177,868	(50,774)
Pupil transportation services	654,000	909,281	884,860	(24,421)
Central	120,240	427,818	429,793	1,975
Total support services	7,799,012	8,022,738	7,971,232	(51,506)
Athletics	221,132	329,807	327,792	(2,015)
Community services	167,009	119,468	118,323	(1,145)
Debt service - Other debt costs	-	7,074	7,073	(1)
Total expenditures	18,405,560	20,645,846	20,561,363	(84,483)
Net Change in Fund Balance	157,697	(679,888)	(879,509)	(199,621)
Fund Balance - Beginning of year	1,047,933	1,047,933	1,047,933	-
Fund Balance - End of year	\$ 1,205,630	\$ 368,045	\$ 168,424	\$ (199,621)

Madison District Public Schools

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

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

Madison District Public Schools

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

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

Madison District Public Schools

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

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

Madison District Public Schools

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

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

Pension Information

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

Benefit Changes

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

Changes in Assumptions

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

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent.

OPEB Information

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

Benefit Changes

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

Changes in Assumptions

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

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percent.

Other Supplemental Information

Madison District Public Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Funds		Debt Service Fund	Total
	Food Service Fund	Child Care Fund		
Assets				
Cash and investments	\$ 117,145	\$ -	\$ 472,285	\$ 589,430
Receivables:				
Other receivables	1,123	-	-	1,123
Due from other governments	85,684	-	-	85,684
Total assets	\$ 203,952	\$ -	\$ 472,285	\$ 676,237
Liabilities				
Accounts payable	\$ 36,792	\$ -	\$ -	\$ 36,792
Due to other funds	-	187,689	-	187,689
Accrued liabilities and other	55,340	34,741	-	90,081
Total liabilities	92,132	222,430	-	314,562
Deferred Inflows of Resources - Unavailable revenue	1,123	-	-	1,123
Total liabilities and deferred inflows of resources	93,255	222,430	-	315,685
Fund Balances				
Restricted:				
Debt service	-	-	472,285	472,285
Food service	110,697	-	-	110,697
Unassigned	-	(222,430)	-	(222,430)
Total fund balances	110,697	(222,430)	472,285	360,552
Total liabilities, deferred inflows of resources, and fund balances	\$ 203,952	\$ -	\$ 472,285	\$ 676,237

Madison District Public Schools

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

Year Ended June 30, 2019

	Special Revenue Funds		Debt Service Fund	Total
	Food Service Fund	Child Care Fund		
Revenue				
Local sources	\$ 73,084	\$ 328,745	\$ 1,664,984	\$ 2,066,813
State sources	38,865	-	-	38,865
Federal sources	1,356,878	-	-	1,356,878
Total revenue	1,468,827	328,745	1,664,984	3,462,556
Expenditures				
Current:				
Support services - Operations and maintenance	-	95,334	-	95,334
Food services	1,432,245	-	-	1,432,245
Community services	-	455,841	-	455,841
Debt service:				
Principal	-	-	865,000	865,000
Interest	-	-	429,856	429,856
Capital outlay	2,399	-	-	2,399
Total expenditures	1,434,644	551,175	1,294,856	3,280,675
Net Change in Fund Balances	34,183	(222,430)	370,128	181,881
Fund Balances - Beginning of year	76,514	-	102,157	178,671
Fund Balances - End of year	\$ 110,697	\$ (222,430)	\$ 472,285	\$ 360,552

Madison District Public Schools

**Other Supplemental Information
Schedule of Bonded Indebtedness**

June 30, 2019

Years Ending June 30	2013 School Building and Site Bonds		Total
	Principal	Interest	
2020	\$ 370,000	\$ 418,906	\$ 788,906
2021	375,000	407,806	782,806
2022	380,000	392,806	772,806
2023	385,000	377,606	762,606
2024	390,000	362,206	752,206
2025	395,000	346,606	741,606
2026	400,000	330,806	730,806
2027	405,000	316,306	721,306
2028	410,000	300,106	710,106
2029	415,000	283,706	698,706
2030	420,000	267,106	687,106
2031	425,000	250,306	675,306
2032	430,000	233,306	663,306
2033	435,000	215,569	650,569
2034	440,000	197,625	637,625
2035	445,000	178,925	623,925
2036	450,000	160,013	610,013
2037	455,000	140,888	595,888
2038	460,000	121,550	581,550
2039	465,000	102,000	567,000
2040	470,000	82,238	552,238
2041	480,000	62,263	542,263
2042	490,000	41,863	531,863
2043	495,000	21,038	516,038
Total remaining payments	\$ 10,285,000	\$ 5,611,550	\$ 15,896,550
Principal payments due	May 1		
Interest payments due	May and November 1		
Interest rate	3.00% to 4.25%		
Original issue	\$ 11,400,000		