

MADISON SCHOOL DISTRICT
Report on Financial Statements
(With required supplementary and other supplemental
Information and Single Audit Supplement
Required by the Uniform Guidance)

Year Ended June 30, 2021

**Madison School District
Financial Report
For the Fiscal Year Ended
June 30, 2021**

Table of Contents

Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 – 12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Notes to Financial Statements	19 – 58
Required Supplementary Information:	59
Budgetary Comparison Schedule – General Fund	60
Schedule of Madison School District's Pension Contributions to Michigan Public Schools Employees Retirement Plan	61
Schedule of Madison School District's Proportionate Share of the Net Pension Liability - Michigan Public Schools Employees Retirement Plan	62
Schedule of Madison School District's OPEB Contribution to Michigan Public Schools Employees Retirement Plan	63

**Madison School District
Financial Report
For the Fiscal Year Ended
June 30, 2021**

Table of Contents

Schedule Madison School District's Proportionate Share of the Net OPEB Liability - Michigan Public Schools Employees Retirement Plan	64
Notes to Required Supplementary Information	65-66
Other Supplemental Information:	67
Nonmajor Governmental Fund Types	
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	69
Single Audit Supplement Required by the Uniform Guidance	70-81

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Madison School District
Adrian, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison School District (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Schools District's 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 the 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, each major fund, and the aggregate remaining fund information of Madison School District, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedule, the schedules of the School District's share of the net pension liability and pension contributions, the schedules of the School District's share of the net postemployment benefit other than pensions (OPEB) liability and OPEB contributions, and the notes to 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison School District's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 combining non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2021, on our consideration of Madison School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Madison School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison School District's internal control over financial reporting and compliance.

Hodges Accounting & Advisory Services

HODGES ACCOUNTING & ADVISORY SERVICES

Taylor, Michigan
October 11, 2021

**MADISON SCHOOL DISTRICT - ADRIAN, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Our discussion and analysis of Madison School District's (the School District) financial performance provides an overview of the School District's financial activities in the fiscal year ended June 30, 2021. The School District implemented GASB requirements in the June 30, 2021 audit as required by the Governmental Accounting Standards Board (GASB). Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The management's discussion and analysis is provided at the beginning of the audit and organized so that the reader can understand the current position of the School District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues by program for the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Fund.

USING THIS ANNUAL REPORT

The School District's Annual Report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The *Government Wide Financial Statements*, which include the **Statement of Net Position** and the **Statement of Activities** provide information about the district as a whole and present a longer-term view of the School District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The *Fund Financial Statements* provide detailed information about the School District's most significant funds not the School District as a whole.

Reporting the School District as a whole

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. The **Statement of Net Position**, for the first time, combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations, regardless if they are currently available or not. In comparison to "other assets", capital assets are those assets that are tangible, valued over a specified amount, and usually have a long life. They are depreciated over a useful life. More detail on capital assets and their recorded useful lives is found in the footnote section of the audit. Long-term obligations (liabilities) are those that are longer than one year. Some liabilities are classified as "short-term" for the portion due in a year, and "long-term" for the portion due in the future years (such as leases payable, compensated absences, and debt obligations). "Other liabilities" are considered to be obligations due within a year. Over time, increases or decreases in the School District's Net Position – as reported in the **Statement of Activities** – is one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating results.

**MADISON SCHOOL DISTRICT - ADRIAN, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

However, the School District's goal is to provide services to our students, not to generate a profit as commercial entities do. There are other factors to consider such as quality of education and school safety to assess the overall health of the School District.

The **Statement of Net Position** and **Statement of Activities** report the governmental activities and business-type activities. These statements for the School District will include only governmental activities, which encompass all of the School District's services including instruction, supporting services, athletics, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue) and State and Federal grants finance most of these activities.

Reporting the School District's most significant funds

The School District's fund financial statements provide detailed information about the School District's most significant funds not the School District as a whole. The fund statements are similar to financial presentations in the past, but the new focus is on the School District's major funds rather than fund types. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Some funds are required 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 (such as **Food Service**) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as **Debt and Capital Projects**). The School District's major fund is the **General Fund**.

Most of the School District's services are reported in governmental funds. Governmental fund reporting focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. They are reported using an accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and services it provides. Governmental fund information helps you 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 reconciliation.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, and Capital Projects Fund. The General Fund is used primarily to account for the general education requirements of the School District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Debt Fund is used to record the funding and payment of principal and interest on Bonded Debt. The Special Revenue Fund is used to record the funding and expenditures of monies specified for a specific purpose (Food Service). The Capital Project Fund is used to record the funding and expenditures related to capital outlay.

**MADISON SCHOOL DISTRICT - ADRIAN, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The School District as a Whole

The School District's net position was \$(17,024,694) at the end of June 30, 2021 and (\$16,899,702) as of June 30, 2020, representing an increase in net deficits of \$124,992. Of the total amount (\$32,102,355) was unrestricted. 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 those funds for day-to-day operations. Our analysis below focuses on the **Net Position** (Table 1) and **Change in Net Position** (Table 2) of the School District's governmental activities.

Net Position (Table 1)		
	2021	2020
Assets:		
Current assets	\$ 8,955,264	\$ 7,490,699
Noncurrent assets	17,774,226	17,882,363
Total assets	26,729,490	25,373,062
Deferred Outflows of Resources		
Deferred pension amounts	7,811,278	10,347,074
Deferred OPEB amounts	2,696,917	2,491,285
	10,508,195	12,838,359
Total assets and deferred outflows of resources	37,237,685	38,211,421
Liabilities:		
Current liabilities	2,296,554	2,146,361
Noncurrent liabilities	45,670,933	47,335,417
Total liabilities	47,967,487	49,481,778
Deferred Inflows of Resources related to pension		
Deferred pension amounts	1,866,298	2,538,188
Deferred OPEB amounts	4,428,594	3,091,157
	6,294,892	5,629,345
Total liabilities and deferred inflows of resources	54,262,379	55,111,123
Net position:		
Net investment in capital assets	13,962,513	13,704,383
Restricted for School Lunch program	784,516	242,045
Restricted for Debt Service	58,226	113,199
Restricted for Capital Projects	272,406	54,315
Unrestricted	(32,102,355)	(31,013,644)
Total net position (deficit)	\$ (17,024,694)	\$ (16,899,702)

**MADISON SCHOOL DISTRICT - ADRIAN, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The Statement of Activities presented later in the government-wide financial statement, provides greater detail on the School District's annual activity. The Statement of Activities (Table 2) shown below details the cost of the School District's governmental activities and how those activities were financed.

Table 2		
Changes in Madison School District's Net Position		
	2021	2020
Revenues:		
Program revenues:		
Operating and grants contribution	\$ 6,841,485	\$ 5,209,909
Charges for services	391,947	326,631
General revenues:		
Property taxes	2,552,270	2,566,364
State aid - unrestricted	11,168,858	10,954,425
Investment income	16,858	67,832
Other	-	154,231
Total revenues	<u>20,971,418</u>	<u>19,279,392</u>
Expenses:		
Instruction	13,037,624	14,482,993
Support services	4,189,707	4,667,518
Community services	37,396	57,981
COVID	1,309,130	-
Food services	388,500	747,878
Athletics	926,212	402,896
Interest expense	165,806	174,307
Other	-	28,053
Unallocated depreciation	1,042,035	873,975
Total expenses	<u>21,096,410</u>	<u>21,435,601</u>
Change in net position	<u>\$ (124,992)</u>	<u>\$ (2,156,209)</u>
Net position, beginning of year	\$ (16,899,702)	\$ (15,016,138)
Restatement for implementation of GASB 84	-	272,645
Net position (deficit), end of year	<u>\$ (17,024,694)</u>	<u>\$ (16,899,702)</u>

Financial Analysis of the School District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well.

**MADISON SCHOOL DISTRICT - ADRIAN, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

GENERAL FUND

Factors affecting Revenue

State Aid funding -The State of Michigan provides a \$8,111 per pupil foundation allowance that provides a substantial portion of our district's revenue, 73%. In addition, we also receive various grants from the state. This means that the financial stability of the School District rests primarily with the economic health of the State of Michigan. State aid payments are made with the first payment of the school year beginning in October, and the last payment being made in August. Therefore, at the end of the School District's fiscal year end, there is an adjustment made that includes 2 months of state aid payments into revenue that has not yet been made.

Sinking Fund Millage – Revenues are generated by taxes going toward building improvements.

Schools of Choice – The School District has an agreement with the other public schools in Lenawee County to implement Lenawee County Schools of Choice (Open Enrollment) program.

Factors affecting Expenses

- *Salaries and Benefits* - A significant portion of the School District's expenses are related to compensation, 86% in 2020-21.
- *Instructional purchases* - Another part of each year's budgetary expenditure includes textbooks and supplemental learning materials, supplies, and purchased services.
- *Operation and Maintenance* - Each year's budgetary expenditures also include the general operation and maintenance of our school buildings.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the School District amends its budget during the school year. In fact, all Michigan school districts must complete a second full budget after the state's official student membership count date (the first Wednesday in October), because only then are they knowledgeable of their Foundation Grant's income level. These revisions are made in order to deal with the unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

**MADISON SCHOOL DISTRICT - ADRIAN, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Original Budget versus Final Budget

- *Revenues*-Original estimated budgets for revenues were \$17,467,156 versus the final budget of \$19,437,750.
 - Original budget did not account for the increased Federal covid revenue we received.
- *Expenditures* – The original budget for expenditures was \$18,172,162 versus the final budget of \$18,662,995.

Final Budget versus Actual Figures

- The majority (about 81%) of *Local Revenues* are property taxes received from three townships including Adrian, Madison and Palmyra and the City of Adrian.
- *State Revenues* were budgeted at \$14,160,565 versus actual of \$14,022,920. This was a decrease of \$137,645.
- *Federal Revenues* were budgeted at \$1,675,572 versus actual of \$1,690,030. This was an increase of \$14,459.
- *Overall revenues* were over budget by \$57,035 from the final budget amounts. This was a favorable variance of 0.29% compared to the total revenue budget of \$19,437,750.
- *Expenses*- Final estimated budgets for expenses were \$18,662,995 versus an actual final amount of \$18,651,076. The overall variation from final budget to actual was \$11,919 favorable variance.

**MADISON SCHOOL DISTRICT - ADRIAN, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SPECIAL REVENUE FUND

School Lunch Fund-The School Lunch Fund receives its revenues from the sale of goods, State reimbursement and federal grants.

CAPITAL PROJECT FUND

This fund consisted of sinking fund and the capital project energy fund. The sinking fund is restricted for improvements to the School District. At the end of the fiscal year 2020-21 there was a fund balance of \$272,406.

On August 10, 2018, the School District entered into an equipment lease purchase agreement (Agreement) that is reported as capital lease obligation. The proceeds from the Agreement are restricted for the energy conservation improvement of the School District. At the end of the fiscal year 2020-2021, there was a fund balance of \$0 as the project has been completed and assets are placed in service (detailed information about the School District's Capital Project Energy Fund is presented in Note 7 of the financial statements).

DEBT SERVICE FUND

This fund is directly funded through taxes. For fiscal year 2020-21 the collection of property taxes for the retirement of principal and interest relating to the School District was \$231,145. Principal and interest requirements for the 2020-21 retirement was \$287,825.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets- At June 30, 2021, the School District had \$17,774,226 invested in capital assets, net of accumulated depreciation. The School District had bonded debt outstanding of \$2,375,000, unamortized bond discount of \$22,327 and outstanding capital lease obligation of \$1,555,040. Assets, net of accumulated depreciation decreased in the current year and will continue to decrease as assets on the books depreciate.

**MADISON SCHOOL DISTRICT - ADRIAN, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The School District's capital assets are as follows:

Table 3 Madison School District's Capital Assets				
	Cost	Accumulated Depreciation	2021 Net Book Value	2020 Net Book Value
Land	\$ 912,065	\$ -	\$ 912,065	\$ 912,065
Building and Improvements	26,145,553	10,228,988	15,916,565	13,472,378
Machinery and Equipment	4,447,582	3,808,158	639,424	386,326
Transportation Equipment	882,591	576,419	306,172	163,475
Construction in Progress	-	-	-	2,948,119
Total	<u>\$ 32,387,791</u>	<u>\$ 14,613,565</u>	<u>\$ 17,774,226</u>	<u>\$ 17,882,363</u>

Long-term debt Activity

At year-end, the School District had outstanding long-term debt obligations in the amount of \$2,965,930 (more detailed information about the School District's long-term liabilities is presented in Note 8 of the financial statements.)

Table 4 Madison School District's Outstanding Long-Term Debt		
	2021	2020
2011 Building and Site Bond	\$ 2,375,000	\$ 2,555,000
Unamortized bond discount	(22,327)	(24,560)
Compensated absences	437,759	435,490
Total	<u>\$ 2,790,432</u>	<u>\$ 2,965,930</u>

The School District's long-term debt decreased by \$175,498 the key factors in this decrease was the net effect of the principal payment on the 2011 building and site bond.

**MADISON SCHOOL DISTRICT - ADRIAN, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Economic Factors and Next Year's Budgets and Rates

The following factors will affect the School District in the future and were considered in preparing the School District's budget for the 2021-2022 fiscal year:

One of the most important factors affecting the budget is our student enrollment. The other is the state foundation revenue determined by multiplying the blended student count by the per pupil foundation allowance. The 2021-2022 budget was adopted in June 2021, based on the actual blended count of Fall 2020 and Spring 2021. At that time, we anticipated the fall student count would be consistent with the prior year fall count.

In an effort to sustain student enrollment and maximize funding from the state, Madison School District continues to provide opportunities to students through Schools of Choice.

The State School Aid Act for 2020-2021 was \$8,529. A state budget was recently passed. In that budget we were assured an increase in our foundation allowance of \$171, which would bring our new foundation allowance to \$8,700. Due to the state's overall economic decline, Michigan school districts have been allocated funding at "less than inflationary increases". Under state law, the District cannot assess 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 and on its total student enrollment. Since over 72% of the total General Fund revenues are from the foundation allowance, school districts are in a position to compete for its share of a dwindling enrollment base. Statewide there has been lower revenue from income, sales, and property taxes. Additionally, the School District has been challenged by increased fixed costs such as retirement and health care.

Prudent fiscal responsibility and cost containment remain critical to the School District's ability to effectively operate in a difficult economic climate. Over the past few years, the School District has made a series of budget adjustments to protect its financial future. The School District continues to explore avenues that allow it to reduce costs by restructuring its delivery of services. The originally adopted 2021-2022 budget is projected with a deficit of 236,191. The budget was initially created with an increase in foundation allowance of \$150 per student due to the uncertainty related to the pandemic. The budget is to be balanced with funds from the general fund.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, please contact:

Business Office Madison School District, 3498 Treat Highway, Adrian, MI 49221.

**Madison School District
Statement of Net Position
June 30, 2021**

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash and equivalents	\$ 1,727,427
Investments	3,211,465
Receivables:	
Accounts receivable	21,386
Due from other governmental units	3,391,517
Inventory	3,010
Restricted assets	600,460
Total Current Assets	<u>8,955,264</u>
Noncurrent Assets:	
Capital assets	32,387,791
Less accumulated depreciation	(14,613,565)
Total Noncurrent Assets	<u>17,774,226</u>
Total Assets	<u>26,729,490</u>
Deferred outflows of resources	
Deferred pension amounts	7,811,278
Deferred OPEB amounts	2,696,917
Total Deferred Outflows of Resources	<u>10,508,195</u>
Total Assets and Deferred Outflows of Resources	<u><u>37,237,685</u></u>
Liabilities	
Current Liabilities:	
Accounts payable	5,878
Accrued interest	26,080
Accrued salary	1,658,565
Unearned revenue	244,244
Current portion of capital lease obligation	96,000
Current portion of compensated absences	78,020
Current portion of long term obligations	187,767
Total Current Liabilities	<u>2,296,554</u>
Noncurrent Liabilities:	
Noncurrent portion of long term obligations	2,164,906
Noncurrent portion of compensated absences	359,738
Noncurrent portion of capital lease obligation	1,459,040
Net Pension Liability	36,095,852
Net OPEB Liability	5,591,397
Total Noncurrent Liabilities	<u>45,670,933</u>
Total Liabilities	<u>47,967,487</u>
Deferred inflows of resources	
Revenue in support of pension contributions made subsequent to the measurement date	1,353,232
Deferred pension amounts	513,066
Deferred OPEB amounts	4,428,594
Total Deferred Inflows of Resources	<u>6,294,892</u>
Total liabilities and deferred inflows of resources	<u>54,262,379</u>
Net Position (Deficit):	
Net investment in capital assets	13,962,513
Restricted for school lunch program	784,516
Restricted for debt service	58,226
Restricted for capital project fund	272,406
Unrestricted (Deficit)	(32,102,355)
Total Net Position (Deficit)	<u><u>\$ (17,024,694)</u></u>

The notes to the financial statements are an integral part of this statement.

Madison School District
Statement of Activities
June 30, 2021

<u>Functions/programs</u>	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants & Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	\$ 13,037,624	\$ 104,924	\$ 2,890,547	\$ (10,042,153)
Support services	4,189,707	167,870	2,420,529	(1,601,308)
Community services	37,396	44,535	-	7,139
COVID	1,309,130	-	603,159	(705,970)
Food services	388,500	2,885	927,249	541,634
Athletics	926,212	71,734	-	(854,478)
Interest expense	165,806	-	-	(165,806)
Unallocated depreciation	1,042,035	-	-	(1,042,035)
Total governmental activities	<u>\$ 21,096,410</u>	<u>\$ 391,947</u>	<u>\$ 6,841,485</u>	<u>\$ (13,862,977)</u>
General revenues:				
Property taxes, levied for general purposes				2,046,745
Property taxes, levied for debt service				231,145
Property taxes, levied for capital project fund				274,379
Investment earnings				16,858
State of Michigan school aid unrestricted				11,168,858
Total general revenues				<u>13,737,985</u>
Change in net position (Decrease)				(124,992)
Net position, beginning of year (Deficit)				<u>(16,899,702)</u>
Net position, end of year (Deficit)				<u>\$ (17,024,694)</u>

The notes to the financial statements are an integral part of this statement.

**Madison School District
Balance Sheet
Governmental Funds
June 30, 2021**

	General Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Assets			
Assets:			
Cash and cash equivalents	\$ 1,215,902	\$ 511,524	\$ 1,727,427
Investments	3,211,465	-	3,211,465
Receivables			
Accounts	21,361	25	21,386
Other governmental units	3,360,812	30,705	3,391,517
Due from other funds	-	4,646	4,646
Inventory	-	3,010	3,010
Restricted assets	244,477	355,983	600,460
Total Assets	<u>\$ 8,054,017</u>	<u>\$ 905,893</u>	<u>\$ 8,959,910</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,550	\$ 1,328	\$ 5,878
Accrued salary	1,658,565	-	1,658,565
Due to other funds	4,646	-	4,646
Unearned revenue	236,430	7,814	244,244
Total Liabilities	<u>1,904,191</u>	<u>9,142</u>	<u>1,913,333</u>
Deferred Inflows of Resources:			
Unavailable revenue	110,548	-	110,548
Total Deferred Inflows of Resources	<u>110,548</u>	<u>-</u>	<u>110,548</u>
Fund Balances:			
Nonspendable inventory	-	3,010	3,010
Restricted for:			
School lunch program	244,477	537,028	781,506
Debt service	-	84,306	84,306
Capital outlay	-	272,407	272,407
Unassigned reported in general fund	5,794,801	-	5,794,801
Total Fund Balances	<u>6,039,278</u>	<u>896,751</u>	<u>6,936,029</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,054,017</u>	<u>\$ 905,893</u>	<u>\$ 8,959,910</u>

The notes to the financial statements are an integral part of this statement.

Madison School District
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2021

Total governmental fund balances	\$ 6,936,029
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	
The cost of capital assets is:	\$ 32,387,791
Accumulated depreciation is:	<u>(14,613,565)</u> 17,774,226
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Bonds payable	(2,375,000)
Unamortized bond discount	22,327
Compensated absences	(437,758)
Interest payable on long term debt	(26,080)
Capital lease obligation	(1,555,040)
Net pension liability	(36,095,852)
Net OPEB liability	(5,591,397)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflow of resources related to pension (see Note 9)	7,811,278
Deferred inflow of resources related to pension (see Note 9)	(513,066)
Deferred outflow of resources related to OPEB (see Note 10)	2,696,917
Deferred inflow of resources related to OPEB (see Note 10)	(4,428,594)
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	(1,353,232)
Receivables collected after 60 days are considered unavailable in the governmental funds.	110,548
Net position of governmental activities (deficit)	<u><u>\$ (17,024,694)</u></u>

The notes to the financial statements are an integral part of this statement.

Madison School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
June 30, 2021

	General Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Revenues:			
Local sources			
Property taxes	\$ 2,046,745	\$ 505,525	\$ 2,552,270
Investment earnings	16,502	356	16,858
Food service	-	2,885	2,885
Athletics	71,734	-	71,734
Charges for services	272,794	-	272,794
Other	40,191	4,344	44,535
Total local sources	2,447,965	513,109	2,961,074
Intermediate sources	1,333,870	-	1,333,870
State sources	14,022,920	36,486	14,059,405
Federal sources	1,690,030	927,249	2,617,280
Total revenues	19,494,786	1,476,844	20,971,630
Expenditures:			
Current:			
Instruction	11,938,701	-	11,938,701
Support	4,386,422	-	4,386,422
Community service	37,396	-	37,396
Food service activities	355,816	-	355,816
Athletic activities	196,040	649,709	845,749
Capital Outlay	297,969	36,290	334,259
Other	1,309,130	-	1,309,130
Debt service:			
Principal repayment	92,500	180,000	272,500
Interest & fiscal charges	37,102	128,069	165,171
Total expenditures	18,651,076	994,068	19,645,144
Excess (deficiency) of revenues over expenditures:	843,710	482,776	1,326,486
Other financing sources (uses):			
Indirect cost transfer	30,210	(30,210)	-
Total other financing sources (uses):	30,210	(30,210)	-
Net change in fund balance	873,920	452,566	1,326,486
Fund balances:			
Beginning of year	5,165,358	444,185	5,609,543
End of year	\$ 6,039,278	\$ 896,751	\$ 6,936,029

The notes to financial statements are an integral part of this statement.

Madison School District
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of Governmental Fund
To the Statement of Activities
June 30, 2021

Net change in fund balance total governmental fund increase \$ 1,326,486

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Capital outlay	933,898
Depreciation expense	(1,042,035)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).

Current year's amortization of bond discount	(2,233)
Principal repayment on long-term obligations from bonds payable	180,000
Principal repayment on capital lease obligations	92,500

Accrued interest on long-term debt is recorded in the statement of activities when incurred, it is not recorded in the governmental funds until it is paid.

Accrued interest payable beginning of the year	27,678
Accrued interest payable end of the year	(26,080)

Compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditures when financial resources are used in the governmental funds:

Compensated payable beginning of the year	435,489
Compensated payable end of the year	(437,758)

Revenue in support of pension contributions made subsequent to measurement date	(1,353,232)
---	-------------

Change in deferred outflows of resources related to pension	(2,535,796)
---	-------------

Change in deferred inflows of resources related to pension	2,025,122
--	-----------

Change in net proportionate share of net pension liability	(659,675)
--	-----------

Change in deferred outflows of resources related to OPEB	205,632
--	---------

Change in deferred inflows of resources related to OPEB	(1,337,437)
---	-------------

Change in net proportionate share of net OPEB liability	2,042,661
---	-----------

Governmental funds report revenues when they are collected within 60 days after the year end.

Revenues are recorded in the statement of activities when earned.	(212)
---	-------

Change in net position of governmental activities (Decrease)	\$ (124,992)
---	---------------------

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Madison School District (the “School District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District’s accounting policies are described below.

A. Reporting Entity

The School District is governed by the Board of Education (the “Board”) of Madison School District, which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the School District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School District. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the School District’s activities are classified as governmental activities.

Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities column of the statement of net position. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net position as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, property taxes, certain revenue from the intermediate district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The School District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate School District sources, interest income, and other revenues).

The School District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the School District as an entity and the change in the School District's net position resulting from the current year's activities.

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the School District’s expendable financial resources and the related current liabilities are accounted for through governmental funds. Effective July 1, 2010, the School District has implemented their Fund Balance Policy in Accordance with GASB Statement No. 54 as follows:

Purpose - The following policy has been adopted by the Board of Education in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the School District and jeopardize the continuation of necessary public services. This policy will ensure that the School District maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs,
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenues shortfalls and,
- d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the School District’s fund balance and reserve policies.

Fund type definitions - The following definitions will be used in reporting activity in governmental funds across the School District. The School District may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

- General fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

- Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
- Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.
- Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
- Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's purposes.

Fund balance reporting in governmental funds - Fund balance will be reported in governmental funds under the following categories:

Nonspendable fund balance

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The School District will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the government).
- The School District will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).
- The School District will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained in-tact.

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

- The School District will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale.

Restricted fund balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers; or through enabling legislation.

Committed fund balance

Definition – 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 (i.e., the Board of Education).

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Board of Education. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Assigned fund balance

Definition – includes amounts intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Authority to Assign – The Board of Education delegates to the Superintendent or his/her/their designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance

Definition – includes the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Operational Guideline – The following guidelines address in the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the School District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the School District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The School District reports the following major governmental fund:

The General Fund

Other Non-major Funds

The Special Revenue Fund

The Debt Service Fund

The Capital Project Fund

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

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

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as deferred inflow of resources. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions and claims and judgments, are recorded only when payment is due.

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

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan.

The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the School Districts. For the year ended June 30, 2021, the foundation allowance was based on pupil membership counts taken in February and October of 2020.

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation
(Continued)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2020 to August 2021. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year is recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Coronavirus Relief Funds

In August 2020 State School Aid payments, districts received a new allowance line item called "llp - CORONAVIRUS RELIEF FUNDS" equating to \$350 per pupil. Although these funds are coming through State Aid, they are restricted federal funds (making up a portion of Federal Coronavirus Relief Fund (CRF) (CFDA 21.019) usage authorized by Public Act 146 of 2020 signed into law on July 31, 2020). Districts must comply with the federal requirements, including that CRF may only be used to cover costs that were not accounted for in the most recently approved budget as of March 27, 2020. The expenditure period of CRF funds is March 1, 2020 - December 30, 2020. However, since the legislation establishing this funding was not signed into law during districts' 2019-20 fiscal year, these revenues were recognized in 2020-21 financial statements.

D. Other Accounting Policies

1. Cash and Investments.

The School District reports its investments in accordance with GASB 79 *Certain External Investment Pools and Pool Participants*, GASB 40 *Deposit and Investment Risk Disclosures* and GASB 72 *Fair Value Measurements*. Under these standards, certain investments are valued at fair value as

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

The School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. At June 30, 2021, the School District had total investments of \$3,211,465 in investment accounts, external investment pools, federated government obligation fund and money market deposit account.

2. Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 28, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2021, the School District levied the following amounts per \$1,000 of assessed valuation.

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

<u>Fund</u>	<u>Mills</u>
General Fund -Non Personal Residence and commercial property	18.00
2011 Debt - total taxable value	1.50
Sinking Fund - total taxable value	1.50

3. Inventories and Prepaid Expenditures

Inventories are valued at cost (first-in, first-out). Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed or used rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Restricted Assets

The unspent property taxes levied and mandatory deposits held in the debt service funds are required to be set aside for future bond principal and interest payments. Unspent bond proceeds and related interest of the bonded capital projects funds are required to be set aside for allowable bond purchases. Unspent capital lease obligation proceeds and related interest of the capital lease funds are required to be set aside for the energy conservation projects. These amounts have been classified as restricted assets.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Other Accounting Policies (Continued)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and equipment	5 – 20 years
Transportation equipment	3 – 7 years

The School District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Deferred Outflows/Inflows

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2021, the School District's statement of net position had deferred outflows of resources related to deferred pension plan expenses and deferred post-employment benefits other than pension expenses (OPEB), totaling \$10,347,074 and \$2,491,285, respectively.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. At June 30, 2021, the School District's statement of net position had deferred inflows of resources related to its pension plan, revenue in support of pension payments made subsequent to the measurement date and deferred inflows of resources related to its OPEB plan totaling \$1,169,081, \$1,369,107 and \$3,091,157, respectively. Furthermore, at June 30, 2021, the School District's balance sheet had deferred inflows of resources related to unavailable revenue totaling \$110,760.

7. Compensated absences

The liability for compensated absences reported in the government wide statement consists of earned and unused sick days. A liability for this amount is reported in the governmental funds as it comes due for payment. The

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

8. Long term obligations

In the government-wide financial statements, long-term debt obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as deferred charges on refunding, are deferred and amortized over the life of the debt using the straight-line method over the term of related debt. The difference between the reacquisition price and the net carrying amount of the old debt are reported as a deferred outflow of resources or deferred inflow of resources. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost is reported as debt expenditures at the time they are incurred.

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

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS), and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

10. Fair Value Measurements

The School District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Academy's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School Districts investment from the money market deposit account and federated government obligation fund is valued as Level 2 inputs and Level 1 inputs, respectively. However, the School District's investment from Michigan CLASS and Michigan Liquid Asset Fund that are classified as external investment pool and measured at fair value and amortized cost, respectively, are not required to be categorized within the fair value hierarchy for purposes of paragraph 81a(2) of GASB Statement 72.

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

11. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

12. Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Fiduciary Activities

During the year ended June 30, 2021 the School District implemented Statement No. 84, *Fiduciary Activities*, issued by the Governmental Accounting Standards Board. Statement No. 84, required school districts to assess whether activities before the adoption of Statement No. 84 that were recorded as Agency Funds meet the criteria of a Fiduciary Fund as defined in Statement No. 84 or should be reported as a Governmental Fund. The School District determined that activity recorded as Agency Funds prior to the adoption of Statement No. 84 meets the criteria of a Governmental Fund as defined in the Standards and have reported all former Agency Fund activities in the General Fund for the year ended June 30, 2021. Implementation of Statement No. 84 was also required to be on a retroactive basis. The impact of adopting Statement No. 84 is that net position of beginning fund balance is higher in the current year financial statements by \$272,645 than ending net position of fund balance reported on the June 30, 2020 financial statements.

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

14. Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB 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. May 2020, GASB proposed to delay implementation date by one year due to COVID 19. (Statement No. 95 of the Governmental Accounting Standards Board).

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. See "Budgetary Comparison Schedule" in Required Supplementary Information section for details.

The School District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
(Continued)

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent and Business Manager are authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The budget was amended during the year with supplemental appropriation, the last one approved prior to June 30, 2021. The School District does not consider these amendments to be significant.

Sinking Fund Compliance

Sinking Fund – The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the School District. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2021, \$1,882,564 of the School District's bank balance of \$2,132,575 (money market deposit account, savings and checking accounts) that were uninsured and uncollateralized. The School District believes due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial credit risk – investments For an investment, this 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. The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

As of June 30, 2021, the School District's investments balance from external investment pool amounting to \$3,211,465 were uninsured and uncollateralized.

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 Policy minimizes interest rate risk by requiring the School District to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools, and limiting the average maturity in accordance with the School District's cash requirements.

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

At June 30, 2021, the maturities of investments and the credit quality ratings of investment securities held by the School District are as follows:

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Organization</u>
Michigan Liquid Asset Fund*	n/a	\$ 3,210,649	AAAm	Standard & Poor's
Michigan CLASS	n/a	816	AAAm	Standard & Poor's
Total External Investment Pool		3,211,465		
Total Investments		<u>\$ 3,211,465</u>		

*Investment fair value reported at amortized cost.

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

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Due from governmental units June 30, 2021 consist of the following:

	<u>General</u>
State	\$ 2,627,157
Federal	378,866
Other Governmental Entity	385,494
Net Total Due from Governmental Units	<u>\$ 3,391,517</u>

No allowance for doubtful accounts is considered necessary.

NOTE 5 – RESTRICTED ASSETS

At June 30, 2021, restricted assets are composed of the following:

<u>Description</u>	<u>Governmental Activities</u>
Unspent property taxes levied for debt service	\$ 83,918
Unspent property taxes levied for sinking funds	272,065
Unspent money for student activity	244,477
Total	<u>\$ 600,460</u>

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 - CAPITAL ASSETS

A summary of changes in the School District's capital assets follows:

	Balance July 1, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 912,065	\$ -	\$ -	\$ -	\$ 912,065
Construction in progress	2,964,274	43,955	-	3,008,229	-
Subtotal	<u>3,876,339</u>	<u>43,955</u>	<u>-</u>	<u>3,008,229</u>	<u>912,065</u>
Capital assets being depreciated					
Building and Improvements	22,874,069	268,993	-	3,002,491	26,145,553
Machinery & Equipment	4,024,894	416,950	-	5,738	4,447,582
Transportation Equipment	795,935	204,000	117,344		882,591
Total Depreciable Assets	<u>27,694,898</u>	<u>889,943</u>	<u>117,344</u>	<u>3,008,229</u>	<u>\$ 28,467,497</u>
Less: Accumulated depreciation for:					
Building and Improvements	9,408,894	820,094	-	-	10,228,988
Machinery & Equipment	3,647,520	160,638	-	-	3,808,158
Transportation Equipment	632,460	61,303	117,344	-	576,419
Subtotal	<u>13,688,874</u>	<u>1,042,035</u>	<u>117,344</u>	<u>-</u>	<u>14,613,565</u>
Net Depreciable Capital Assets	<u>14,006,024</u>	<u>(152,092)</u>	<u>-</u>	<u>-</u>	<u>13,853,932</u>
Governmental Activities Capital Assets, net	<u>\$ 17,882,363</u>	<u>\$ (108,137)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,774,226</u>

Depreciation is computed by the straight-line method for all classes of assets. Depreciation for the fiscal year ended June 30, 2021 amounted to \$1,042,035. The School District determined that it was impractical to allocate depreciation and amortization to the various governmental activities as the assets serve multiple functions.

NOTE 7 – CAPITAL LEASE OBLIGATION

On August 10, 2018, the School District (lessee) entered into an equipment lease purchase agreement (the Agreement) as outlined in Act 451 of 1976, specifically as set forth in MCL 380.1274a and a Finance Lease as set forth in Act 174 of 1962, specifically MCL 440.2803(1)(g) with First Internet Public Finance Corp. (lessor). The Agreement contemplates that certain equipment is to be acquired for energy conservation improvement of the School District. In addition, on the same date the

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – CAPITAL LEASE OBLIGATION (Continued)

School District and the lessor entered into an escrow agreement of which the lessor will deposit with the escrow agent cash in the amount of \$1,838,540 to be held in escrow. Such deposit, together with all interest and additions received is to be applied from time to time to pay certain costs of acquiring the equipment. To secure payment of the School District obligation under the agreement the lessor retains and the School District pledges and grants the lessor a security interest constituting a first lien on the equipment and all additions, attachments and accessions thereto. As further security therefor, the School District pledges and grant the lessor a first priority security interest in (1) the cash and negotiable instruments from time to time comprising the escrow fund established under the escrow agreement mentioned above, and (2) any payments received or to be received from Energy Systems Group, LLC (ESG) by the School District pursuant to the terms of the Guaranteed Energy Savings Performance Contract.

In conjunction with the agreements mentioned above the School District also entered into a Guaranteed Energy Savings Performance Contract (the Contract) with ESG on June 29, 2018. ESG will design and manage the implementation of the energy conservation capital improvement projects in accordance with MCL 380.1274a. ESG guarantees that the project will result in guaranteed energy savings in the total amount of \$1,175,638 and guaranteed operating maintenance cost savings in the total amount of \$1,607,746. Under the contract ESG for a term of 15 years guarantees the School District that the facilities will realize in each guarantee year savings in energy and operational savings collectively equal to the amounts indicated in the contract. In addition, under the contract if there is a shortfall of the energy savings in any guarantee year, ESG shall provide settlement in cash.

During the term of the lease agreement title to the equipment and any and all additions, repairs, replacements, or modifications will vest in School District. The agreement mentioned above is classified as capital lease. The leased equipment is amortized on a straight-line basis over 15 years.

The following is a schedule showing the future minimum lease payments under capital leases by years as of June 30, 2021. The interest rate related to the capital lease obligation is 3.55% and the maturity date is on November 1, 2034.

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 – CAPITAL LEASE OBLIGATION (Continued)

<u>Ending,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>
2022	\$ 96,000	\$ 53,500	\$ 149,500
2023	99,000	50,039	149,039
2024	103,000	46,453	149,453
2025	106,500	42,735	149,235
2026	110,500	38,883	149,383
2027-2031	615,500	131,544	747,044
2032-2034	424,540	22,963	447,503
	<u>\$ 1,555,040</u>	<u>\$ 386,116</u>	<u>\$ 1,941,156</u>

June 30, 2021

Cost of Asset	\$ 1,819,249
Accumulated depreciation*	\$ 90,962

*Assets started depreciating beginning fiscal year 2021

NOTE 8 - LONG-TERM DEBT

The School District issue bond to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. The School District had total bonded debt outstanding of \$ 2,375,000. Remaining payments for all bonded indebtedness vary from \$190,000 to \$285,000 through 2031, and include interest at 4.0% – 4.5%.

A schedule of the 2011 Building and Site bond issued is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>
<u>June 30</u>			
2022	\$ 190,000	\$ 101,274	\$ 291,274
2023	200,000	93,674	293,674
2024	210,000	85,674	295,674
2025	220,000	77,064	297,064
2026	230,000	68,046	298,046
2027	240,000	58,386	298,386
2028	255,000	48,304	303,304
2029	265,000	36,906	301,906
2030	280,000	25,424	305,424
2031	285,000	12,826	297,826
	<u>\$ 2,375,000</u>	<u>\$ 607,578</u>	<u>\$ 2,982,578</u>

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 - LONG-TERM DEBT (Continued)

The following is a schedule of the governmental long term obligations for the School District for the year ended June 30, 2021:

	2011 Building and Site Bond	Unamortized Bond Discount	Compensated Absences	Total
Balance July 1, 2020	\$ 2,555,000	\$ (24,560)	\$ 435,490	\$ 2,965,930
Additions	-	-	2,269	2,269
Deletions	180,000	2,233	-	177,767
Balance June 30, 2021	2,375,000	(22,327)	437,759	2,790,432
Less: current portion	190,000	2,233	78,020	265,787
Total due after one year	<u>\$ 2,185,000</u>	<u>\$ (20,094)</u>	<u>\$ 359,739</u>	<u>\$ 2,524,645</u>

The debt service requirements of governmental activities at June 30, 2021 were as follows:

	Governmental Activities		
Fiscal Year Ending,	Principal	Interest	Total
2022	\$ 190,000	\$ 101,274	\$ 291,274
2023	200,000	93,674	293,674
2024	210,000	85,674	295,674
2025	220,000	77,064	297,064
2026	230,000	68,046	298,046
2027-2031	1,325,000	181,846	1,506,846
Total	<u>\$ 2,375,000</u>	<u>\$ 607,578</u>	<u>\$ 2,982,578</u>

Interest expense for the year amounted to \$165,806.

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Plan Description

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

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

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

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

Benefits Provided

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

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

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contribution

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19 year period beginning October 1, 2019 and ending September 30, 2038.

The School District's required and actual contributions to the plan for the year ended June 30, 2021 were \$2,763,014, which includes the School District contribution required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$1,353,232 in revenue received from the State of Michigan, and remitted to MPSERS to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2021.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020.

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	19.41% %
Member Investment Plan	3.0 - 7.0 %	19.41% %
Pension Plus	3.0 - 6.4 %	16.46% %
Pension Plus 2	6.2	19.59% %
Defined Contribution	0.0 %	13.39% %

Required contributions from School District were \$2,887,714 for the year ended September 30, 2020.

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

At June 30, 2021, the School District's reported a liability of \$36,095,852 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2019. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, School District's proportion was 0.10507 percent, which was a decrease of 0.00193 percent from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021 the School District recognized total pension expense of \$5,453,144. At June 30, 2021 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

	Deferred Outflows of Resources	Deferered Inflows of Resources
Difference between actual and expected experience	\$551,515	\$77,041
Changes of assumptions	3,999,768	-
Net difference between projected and actual earnings on pension plan investments	151,659	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	345,322	436,025
School District contributions subsequent to the measurement date	<u>2,763,014</u>	<u>-</u>
Total	<u><u>\$ 7,811,278</u></u>	<u><u>\$ 513,066</u></u>

Contributions subsequent to measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30

2021	\$ 2,249,799
2022	\$ 1,438,631
2023	\$ 662,124
2024	\$ 184,644

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

In addition, the School District had deferred inflows of revenues related to revenue in support of pension payments made subsequent to the measurement date totaling \$1,353,232 at June 30, 2021.

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
MIP and Basic Plans (Non-Hybrid):	6.80%
Pension Plus Plan	6.80%
Pension Plus 2 Plan	6.00%
Projected Salary Increases:	2.75% to 11.55%
	Including wage inflation at 2.75%
Cost-of-Living	
Pension Adjustments:	3% Annual Non-Compounded for MIP Members

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Mortality: Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active

Members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.4892 for non-university employers).
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0%	9.3%
International Equity	15.0%	7.4%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	4.9%
Absolute Return Pools	9.0%	3.2%
Real Return/Opportunistic Pools	12.5%	6.6%
Short Term Investment Pools	2.0%	-0.1%
Total	100.0%	

*Long term rate of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

The following presents the School District's proportionate share of the net pension liability, calculated using the discount rate of 6.80% (6.80% for t for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Single Discount Rate	1% Increase
5.80% / 5.80%/5.0%	Assumption	7.80% / 7.80%/7.0%
\$46,719,957	\$36,095,852	\$27,290,837

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2021, the School District reported a payable of approximately \$246,153 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEB)**

Plan Description

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

MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEB) (Continued)

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

Benefits Provided

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

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

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEB) (Continued)**

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The School District's required and actual contributions to the plan for the year ended June 30, 2021 were \$767,602.

The schedule below summarized OPEB contribution rates in effect for fiscal year 2020.

OPEB Contribution Rates

Benefit Structure	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00 %	8.9 %
Personal Healthcare Fund (PHF)	0.00 %	7.57 %

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEB) (Continued)**

Required contributions to the OPEB plan from the School District were \$737,402 for the year ended September 30, 2020.

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

At June 30, 2020, the School District reported liability of \$5,591,397 for its proportionate share of all MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was 0.10437 percent, which was a decrease of 0.00199 percent from its proportion measured as of October 1, 2020.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$144,094. At June 30, 2021 the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$4,166,114
Changes of assumptions	\$1,843,595	-
Net difference between projected and actual earnings on OPEB plan investments	46,666	\$0
Changes in proportion and differences between School District contributions and proportionate share of contributions	\$190,641	\$262,480
School District contributions subsequent to the measurement date	\$616,015	-
Total	<u>\$ 2,696,917</u>	<u>\$ 4,428,594</u>

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEB) (Continued)**

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

of Resources by Year
(To Be Recognized in Future OPEB Expenses)

2021	\$	(607,520)
2022	\$	(542,524)
2023	\$	(469,197)
2024	\$	(410,586)
2025	\$	(317,865)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	6.95%
Projected Salary Increases:	2.75% to 11.55% Including wage inflation at 2.75%

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEB) (Continued)**

Healthcare Cost Trend Rate: 7.50% Year 1 graded to 3.0% Year 12

Mortality: Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active
Members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

Opt Out Assumptions 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.

Coverage Election at Retirement 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (5.6018 for non-university employers).
- Recognition period for assets in years is 5.000.

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEB) (Continued)**

- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25	5.6%
Private Equity Pools	16	9.3%
International Equity	15	7.4%
Fixed Income Pools	10.5	0.5%
Real Estate and Infrastructure Pools	10	4.9%
Absolute Return Pools	9	3.2%
Real Return/Opportunistic Fund	12.5	6.6%
Short term Investment Pools	2	-0.1%
Total	100	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEB) (Continued)**

Discount Rate

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$7,182,785	\$5,591,397	\$4,251,582

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$4,200,283	\$5,591,397	\$7,173,618

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEB) (Continued)**

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ors website at www.michigan.gov/orsschools.

NOTE 11 - INTERFUND BALANCES AND TRANSFERS

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at June 30, 2021 are expected to be repaid within the next fiscal year.

A schedule of interfund balances follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Food Service	\$ 3,917	General Fund	\$ 4,646
Debt Service	388		
Capital Projects	341		
	<u>\$ 4,646</u>		<u>\$ 4,646</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

A schedule of interfund transfers follows:

Fund	Transfers In	Fund	Transfer Out
General Fund	<u>\$ 30,210</u>	Nonmajor	<u>\$ 30,210</u>

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. The premiums are based on the ultimate cost of the experience to date of the participating members of the risk pool. The School District cannot estimate losses from reported and unreported claims at June 30, 2021. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2021 or any of the prior three years.

NOTE 13- CONTINGENCIES

The School District had no contingencies at June 30, 2021.

NOTE 14 – TAX ABATEMENTS

The School District receives reduced property tax revenue as a result of Payment in Lieu of Taxes granted by cities, villages, and townships within the boundaries of the School District. Payment in Lieu of Taxes (PILOTS) encourage the development for housing for citizens of low and moderate income. The citizens must meet certain criteria set by the State of Michigan and the Local municipality. The authorization for PILOTS is allowed under the Michigan State Housing Development Authority Act of 1966, as amended. The City of Adrian currently has six PILOT agreements, and each is approved by City Ordinance. The PILOT program exempts the recipients of all property taxes. In lieu of property taxes, the housing facility pays an annual fee based on a fixed percentage of gross rent less utilities (water, sewer, electricity, and gas). The value of the tax abatement is the total amount of taxes which should have been paid less the PILOT fee actually paid.

**MADISON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 15 - NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$1,115,148 of restricted net position at June 30, 2021, all of which is restricted by enabling legislation.

NOTE 16 – SUBSEQUENT EVENTS

Evaluation of Events and Transactions

The District's management has evaluated subsequent events through October 11, 2021, the date which the financial statements were available to be issued. District's management has concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Madison School District
Budgetary Comparison Schedule
General Fund
June 30, 2021

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
Revenues:				
Local sources	\$ 2,291,153	\$ 2,266,484	\$ 2,447,965	\$ 181,481
Intermediate sources	1,442,297	1,335,130	1,333,870	(1,260)
State sources	13,233,679	14,160,565	14,022,920	(137,645)
Federal sources	500,026	1,675,572	1,690,030	14,459
Total revenues	17,467,156	19,437,750	19,494,786	57,035
Expenditures:				
Current:				
Instruction:				
Basic programs	9,978,262	9,345,489	9,227,262	118,227
Added needs	3,328,349	2,781,092	2,711,439	69,653
Total instruction	13,306,611	12,126,581	11,938,701	187,880
Support services:				
Pupil	300,102	375,392	366,513	8,879
Instructional staff	59,338	148,458	194,959	(46,501)
General administration	943,929	588,208	574,472	13,736
School administration	1,108,239	1,117,736	1,115,272	2,464
Business and fiscal services	18,500	273,237	271,597	1,640
Operation & maintenance	1,258,849	1,150,070	1,145,531	4,539
Transportation	597,546	556,808	555,478	1,331
Technology	-	163,766	162,600	1,165
COVID	-	1,328,808	1,309,130	19,678
Capital outlay	-	299,000	297,969	1,031
Athletics	381,286	365,639	551,856	(186,217)
Total support services	4,667,790	6,367,122	6,545,377	(178,255)
Community service:	48,415	39,689	37,396	2,294
Total community service	48,415	39,689	37,396	2,294
Debt service:				
Principal repayment	92,500	92,500	92,500	-
Interest and fees	56,846	37,102	37,102	-
	149,346	129,602	129,602	-
Total expenditures	18,172,162	18,662,995	18,651,076	11,919
Excess (deficiency) of revenues over expenditures	(705,006)	774,755	843,710	68,955
Other financing sources (uses):				
Indirect cost transfer	-	30,210	30,210	-
Total other financing sources (uses)	-	30,210	30,210	-
Net change in fund balance	(705,006)	804,965	873,920	68,955
Fund balance:				
Beginning of year	5,165,358	5,165,358	5,165,358	-
End of year	\$ 4,460,353	\$ 5,970,323	\$ 6,039,278	\$ 68,955

Madison School District
Required Supplemental Information
Schedule of Madison School District's Pension Contribution to
Michigan Public Schools Employees Retirement Plan Determined
as of the Year Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018*</u>	<u>2017</u>
Statutorily required contributions	\$ 3,119,404	\$ 2,867,206	\$ 2,849,119	\$ 2,733,590	\$ 2,471,567
Contribution in relation to statutorily required contribution	<u>3,119,404</u>	<u>2,867,206</u>	<u>2,849,119</u>	<u>2,733,590</u>	<u>2,471,567</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 9,356,240	\$ 9,183,280	\$ 9,313,095	\$ 9,191,025	\$ 9,097,276
Contribution as a percentage of covered-employee payroll	33.34%	31.22%	30.59%	29.74%	27.17%
	<u>2016</u>				
Statutorily required contributions	\$ 2,418,503				
Contribution in relation to statutorily required contribution	<u>2,418,503</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
School District's covered-employee payroll	\$ 8,478,286				
Contribution as a percentage of covered-employee payroll	28.53%				

*Adjustment has been made to remove the MPSERS 147 c(2) previously included.

Madison School District
Required Supplemental Information
Schedule of Madison School District's Proportionate Share of the Net Pension Liability
Michigan Public Schools Employees Retirement Plan
Determined as of the Plan Year Ended September 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
School District's proportion of the net pension liability	0.10508%	0.10700%	0.10698%	0.10419%	0.10006%
School District's proportionate share of the net pension liability	\$ 36,095,852	\$ 35,436,177	\$ 32,158,791	\$ 26,999,670	\$ 24,963,465
School District's covered-employee payroll	\$ 9,223,088	\$ 9,276,942	\$ 9,217,780	\$ 8,938,298	\$ 8,387,800
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	391.36%	381.98%	348.88%	302.07%	297.62%
Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%
	<u>2015</u>				
School District's proportion of the net pension liability	0.10199%				
School District's proportionate share of the net pension liability	\$ 24,912,006				
School District's covered-employee payroll	\$ 8,916,870				
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	279.38%				
Plan fiduciary net position as a percentage of total pension liability	63.17%				

See notes to required supplemental information.

Madison School District
Required Supplemental Information
Schedule of Madison School District's OPEB Contribution to
Michigan Public Schools Employees Retirement Plan
Determined as of the Year Ended June 30

	2021	2020	2019	2018
Statutorily required contributions	\$ 767,602	\$ 731,804	\$ 728,470	\$ 668,513
Contribution in relation to statutorily required contribution	<u>767,602</u>	<u>731,804</u>	<u>728,470</u>	<u>668,513</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 9,356,240	\$ 9,183,280	\$ 9,313,095	\$ 9,191,025
Contribution as a percentage of covered-employee payroll	8.20%	7.97%	7.82%	7.27%

See notes to required supplemental information.

Madison School District
Required Supplemental Information
Schedule of Madison School District's Proportionate Share of the Net OPEB Liability
Michigan Public Schools Employees Retirement Plan
Determined as of the Plan Year Ended September 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.10437%	0.10636%	0.10837%	0.10411%
School District's proportionate share of the net OPEB liability	\$ 5,591,397	\$ 7,634,058	\$ 8,614,406	\$ 9,219,179
School District's covered-employee payroll	9,223,088	9,276,942	9,217,780	8,938,298
School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	60.62%	82.29%	93.45%	103.14%
Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%

MADISON SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Pension Information

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

Benefit Changes

There were no changes of benefit terms in 2020.

Changes in Assumptions

There were no changes of benefit assumptions in 2020.

Covered Payroll

The employer's covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 82, Pension Issues – *An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB Statement No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

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 in 2020.

Changes in Assumptions

There were no changes of benefit assumptions in 2020.

MADISON SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Covered Payroll

The employer's covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 82, *Pension Issues – An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB Statement No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

OTHER SUPPLEMENTAL INFORMATION

**Madison School District
Combining Balance Sheet
Nonmajor Governmental Fund
June 30, 2021**

	Special Revenue	Debt Service	Capital Project	Total Nonmajor Governmental Funds
Assets				
Assets:				
Cash and equivalents	\$ 511,524	\$ -	\$ -	\$ 511,524
Receivables				
Accounts	25	-	-	25
Other governmental units	30,705	-	-	30,705
Due from other funds	3,917	388	341	4,646
Inventory	3,010	-	-	3,010
Restricted assets	-	83,918	272,065	355,983
Total Assets	<u>\$ 549,181</u>	<u>\$ 84,306</u>	<u>\$ 272,406</u>	<u>\$ 905,893</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,328	\$ -	\$ -	\$ 1,328
Unearned revenue	7,814	-	-	7,814
Total Liabilities	<u>9,142</u>	<u>-</u>	<u>-</u>	<u>9,142</u>
Fund Balances:				
Nonspendable - inventory	3,010	-	-	3,010
Restricted				
School lunch program	537,028	-	-	537,028
Debt service	-	84,306	-	84,306
Capital outlay	-	-	272,406	272,406
Total Fund Balances	<u>540,039</u>	<u>84,306</u>	<u>272,406</u>	<u>896,751</u>
Total Liabilities and Fund Balances	<u>\$ 549,181</u>	<u>\$ 84,306</u>	<u>\$ 272,406</u>	<u>\$ 905,893</u>

The notes to the financial statements are an integral part of this statement.

Madison School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2021

	Food Service Revenue	Debt Service	Capital Project Fund	Total Nonmajor Governmental Funds
Revenues:				
Local sources:				
Property taxes	\$ -	\$ 231,145	\$ 274,379	\$ 505,525
Investment earnings	-	109	247	356
Food sales	2,885	-	-	2,885
Other	4,344	-	-	4,344
	<u>7,229</u>	<u>231,254</u>	<u>274,627</u>	<u>513,109</u>
Total local sources				
	7,229	231,254	274,627	513,109
State sources	36,486	-	-	36,486
Federal sources	927,249	-	-	927,249
	<u>970,964</u>	<u>231,254</u>	<u>274,627</u>	<u>1,476,844</u>
Total revenues				
	970,964	231,254	274,627	1,476,844
Expenditures:				
Food service/activities	649,709	-	-	649,709
Capital outlay	-	-	36,290	36,290
Debt service				
Principal repayment	-	180,000	-	180,000
Interest payment	-	107,825	20,244	128,069
Total expenditures	649,709	287,825	56,534	994,068
	<u>649,709</u>	<u>287,825</u>	<u>56,534</u>	<u>994,068</u>
Excess (deficiency) of revenues over expenditures	321,255	(56,571)	218,092	482,776
	<u>321,255</u>	<u>(56,571)</u>	<u>218,092</u>	<u>482,776</u>
Other Financing Sources (Uses):				
Indirect cost transfer	(30,210)	-	-	(30,210)
Total other financing sources (uses)	(30,210)	-	-	(30,210)
	<u>(30,210)</u>	<u>-</u>	<u>-</u>	<u>(30,210)</u>
Net change in fund balance	291,045	(56,571)	218,092	452,566
	<u>291,045</u>	<u>(56,571)</u>	<u>218,092</u>	<u>452,566</u>
Fund balance:				
Beginning of year	248,994	140,877	54,314	444,185
End of year	<u>\$ 540,039</u>	<u>\$ 84,306</u>	<u>\$ 272,407</u>	<u>\$ 896,751</u>

**Madison School District
Single Audit
Table of Contents
For the Year Ended June 30, 2021**

<u>Title</u>	<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	71-72
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	73-74
Schedule of Expenditures and Federal Awards	75-76
Notes to Schedule of Expenditures of Federal Awards	77
Schedule of Findings and Questioned Costs	78-80
Summary of Prior Year Audit Findings	81

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

To the Board of Education
Madison School District
Adrian, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison School District (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 11, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

A handwritten signature in dark ink that reads "Hodges Accounting & Advisory Services". The script is cursive and elegant, with the words "Hodges", "Accounting", and "Advisory" clearly legible, and "Services" written in a slightly smaller, more compact script.

HODGES ACCOUNTING & ADVISORY SERVICES

Taylor, MI
October 11, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Madison School District
Adrian, Michigan

Report on Compliance for Each Major Federal Program

We have audited Madison School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2021. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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

Hodges Accounting & Advisory Services

HODGES ACCOUNTING & ADVISORY SERVICES

October 11, 2020
Taylor, Michigan

**MADISON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award	Accrued (Deferred) Revenue July 1, 2020	(Memo Only) Prior Years Expenditures	Current Years Expenditures	Current Years Receipts	Accrued (Deferred) Revenue June 30, 2021
U.S. Department of Education Passed through Michigan Department of Education							
Title I, Part A - Improving Basic Programs 201530/1920	84.010	\$ 259,787	\$ 259,787	\$ 259,787	\$ -	\$ 259,787	\$ -
211530/2021	84.010	257,568	-	-	257,568	-	257,568
Total Title I, Part A		517,355	259,787	259,787	257,568	259,787	257,568
Title II, Part A - Teacher/Principal Training & Recruiting 200520/1920	84.367	40,518	40,518	40,518	-	40,518	-
210520/2021	84.367	40,949	-	-	40,949	-	40,949
Total Title II, Part A		81,467	40,518	40,518	40,949	40,518	40,949
Title Title V B, Subpart 2 - Rural and Low Income Grant 200660/1920	84.358	31,848	31,848	31,848	-	31,848	-
210660/2021	84.358	30,821	-	-	30,821	-	30,821
Total Title VI Part B		62,669	31,848	31,848	30,821	31,848	30,821
Title Title IV, Part A - Student Support & Academic Enrichment Income Grant 200750/1920	84.424	18,993	18,993	18,993		18,993	-
210750/2021	84.424	18,823	-	-	18,823	-	18,823
Total Title IV Part A		18,823	18,993	18,993	18,823	18,993	18,823
GEER Funds - K-12 Income Grant 201200/2021	84.425	105,153	-	-	105,153	105,153	-
203710/1920	84.425	212,611	-	-	212,611	212,611	-
203720/1920	84.425	34,017	-	-	34,017	34,017	-
213712/2021	84.425	356,059	-	-	356,059	356,059	-
Total GEER Funds K-12		707,840	-	-	707,840	707,840	-
Coronavirus Relief Funds		568,684	-	-	568,684	568,684	-
District Covid Costs		20,017	-	-	20,017	20,017	-
Total COVID Funds		588,701	-	-	588,701	588,701	-
Total U.S. Department of Education		1,976,855	351,146	351,146	1,644,702	1,647,687	348,161

See Notes to Schedule of Expenditures of Federal Awards

**MADISON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award	Accrued (Deferred) Revenue July 1, 2020	(Memo Only) Prior Years Expenditures	Current Years Expenditures	Current Years Receipts	Accrued (Deferred) Revenue June 30, 2021
U.S. Department of Agriculture							
Passed Through Michigan Department of Education							
Child Nutrition Cluster:							
Non cash assistance (commodities):							
National School Lunch Program -							
Entitlement Commodities	10.555	29,789	-	36,736	29,789	29,789	-
Cash assistance:							
National School Lunch Program	10.555	-	-	323,750	-	-	-
National School Lunch Program subtotal		29,789	-	360,486	29,789	29,789	-
National School Breakfast Program	10.553	-	-	133,006	-	-	-
COVID-19 Cluster							
National School Lunch Program	10.555	16,027	-	102,796	16,027	16,027	-
Summer Food Service Program	10.559	199,159	-	-	199,159	199,159	-
		215,186	-	102,796	215,186	215,186	-
Total Child Nutrition Cluster		244,975	-	596,288	244,975	244,975	-
Child and Adult Care Food Program	10.558	13,489	-	12,691	13,489	13,489	-
Summer Food Service Program	10.559	683,244	-	-	683,244	652,539	30,705
Total U.S. Department of Agriculture		941,708	-	608,979	941,708	911,003	30,705
Total Passed Through Michigan Department of Education		2,918,563	351,146	960,125	2,586,410	2,558,690	378,866
Federal Grantor Pass Through							
Other Pass through - Lenawee							
Intermediate School Districts (LISD)							
Medicaid Outreach	93.778	6,495	-	2,574	6,495	6,495	-
MiConnect Connectivity Grant	21.019	24,375	-	-	24,375	24,375	-
		-	-	-	-	-	-
Total LISD		30,870	-	2,574	30,870	30,870	-
Total Federal Financial Assistance		\$ 2,949,433	\$ 351,146	\$ 962,699	\$ 2,617,280	\$ 2,589,560	\$ 378,866

See Notes to Schedule of Expenditures of Federal Awards

MADISON SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Madison School District (the School District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the School District's financial statements. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Pass-through entities, where applicable, have been identified in the Schedule.

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

NOTE C – GRANT AUDITOR REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE D – NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance.

**MADISON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditors' Report Issued: Unmodified

Internal Control over Financial Reporting:

* Material weakness(es) identified? ☐ Yes ☒ No

* Significant deficiency (ies) identified that are
not considered to be material weaknesses? ☐ Yes ☒ No

Noncompliance material to financial statements
noted? ☐ Yes ☒ No

FEDERAL AWARDS

Internal Control Over Major Programs:

* Material weakness(es) identified? ☐ Yes ☒ No

* Significant deficiency(ies) identified that are
not considered to be material weaknesses? ☐ Yes ☒ None reported

**Type of Auditors' Report Issued on Compliance
for Major Program:** Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR 200.516(a) ☐ Yes ☒ No

Identification of Major Programs

CFDA Number

10.555/10.559

84.010

**Name of Federal
Program/Cluster**

Child Nutrition Cluster
Including commodities

Title I, Part A

**MADISON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I - SUMMARY OF AUDITORS' RESULTS (Continued)

**Dollar Threshold Used to
Distinguish Between Type
A and Type B Programs:**

\$ 750,000

Auditee qualified as low-risk
auditee?

☐ Yes ☒ No

**MADISON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

GOVERNMENT AUDITING STANDARDS FINDINGS

None.

FEDERAL PROGRAM AUDIT FINDINGS

None.

**MADISON SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

GOVERNMENT AUDITING STANDARDS FINDINGS

None.

FEDERAL PROGRAM AUDIT FINDINGS

None.