

**Madison District Public Schools
Madison Heights, Michigan**

FINANCIAL STATEMENTS

June 30, 2016

Madison District Public Schools

Madison Heights, Michigan

June 30, 2016

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Madison District Public Schools

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Madison District Public Schools
Madison Heights, 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 District Public Schools (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 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 District Public Schools as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note O to the financial statements, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the year. As a result, the District has applied fair value to certain investments and disclosures related to all fair value measurements. Our opinions are not modified with respect to this matter.

Also as discussed in Note O to the financial statements, the District implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, during the year. As a result, the District's external investment pool has measured all of its investments at amortized cost for financial reporting purposes. This statement also established additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net pension liability, and schedule of contributions, 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 the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and 2013 School Building and Site Issue Capital Project Fund Financial Statements 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 nonmajor fund financial statements and 2013 School Building and Site Issue Capital Project Fund Financial Statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 15, 2016

This section of Madison District Public Schools' annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2016. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Madison District Public Schools is a K-12 school district located in Oakland County, Michigan. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Madison District Public Schools' overview of the financial results for the fiscal year ended June 30, 2016.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Madison District Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, Debt Service Fund individually, and the Food Service Fund and Capital Projects Fund, as the other non-major governmental funds. The remaining statement, the Statement of Assets and Liabilities - Fiduciary Fund, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-Wide Financial Statements

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

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

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), State and Federal grants, and other local dollars finance most of these activities.

The *District-wide Financial Statements* are full accrual basis statements. They report all the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the *District-wide Financial Statements*.

Fund Financial Statements

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Funds, Capital Project Funds, and the Food Service Fund.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Summary of Net Position:

The following summarizes the net position as of June 30, 2016 and 2015:

Condensed Statements of Net Position
as of June 30, 2016 and 2015

	Governmental Activities 2016	Governmental Activities 2015
Assets		
Current and other assets	\$ 4,962,410	\$ 3,858,152
Capital assets	20,991,960	21,377,770
Total Assets	25,954,370	25,235,922
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	2,344,457	1,701,402
Deferred amounts on refunding	46,662	69,992
Total Deferred Outflows of Resources	2,391,119	1,771,394
Liabilities		
Current liabilities	4,986,976	4,428,049
Noncurrent liabilities	33,935,404	32,713,313
Total Liabilities	38,922,380	37,141,362
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	614,371	1,954,278
Net Position		
Net investment in capital assets	6,216,484	6,078,132
Restricted	6,999	1,469
Unrestricted	(17,414,745)	(18,167,925)
Total Net Position	\$ (11,191,262)	\$ (12,088,324)

Summary of Net Position - continued:

By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions. The unrestricted portion of net position declined significantly during the fiscal year as a result of the recording of the pension liability and correlating deferred outflows and inflows of resources that are required to be recorded through a change in accounting principles. The District also reports its investment in capital assets (e.g., land, buildings, equipment, and etcetera). The District uses these capital assets to provide services to students and residents of the community; consequently, these assets are *not* available for future spending. Also the amount of net position restricted for specific purposes was specifically restricted for vocational and special education purposes.

Analysis of Financial Position:

As detailed on the previous page, the District shows a total net position value of \$(11,191,262) for the fiscal year ended June 30, 2016. This statement has been affected by the following:

- Construction projects continued through the 2015/2016 year for the major remodeling to the Madison Elementary School and the connection drive between the elementary and high school.
- The District continued to pay-down its long-term debt and has issued new debt for the refunding of prior bonds issued in 2005.
- Net pension liabilities were recorded in accordance to GASB 68.

Results of Operations:

District-wide operating results for the fiscal years ended June 30, 2016 and 2015:

Condensed Statements of Activities
Years Ended June 30, 2016 and 2015

	Governmental Activities 2016	Governmental Activities 2015
Revenues:		
Program Revenues		
Charges for service	\$ 239,698	\$ 275,234
Operating and capital grants	4,470,882	4,680,777
General Revenues		
Property taxes	3,384,999	3,282,373
State school aid-unrestricted	10,150,173	7,647,937
Other	97,789	845,561
	18,343,541	16,731,882
Functions/Program Expenses:		
Instruction	8,987,145	8,725,338
Supporting services	6,819,308	6,040,994
Community services	34,903	46,182
Food service	1,072,926	839,216
Interest on long-term debt	532,197	579,273
	17,446,479	16,231,003
Total Expenses	17,446,479	16,231,003
Change in Net Position	\$ 897,062	\$ 500,879

Analysis of Results of Operations:

During the fiscal year ended June 30, 2016, the District's net position increased by \$897,062.

A. Governmental Fund Operating Results

The District's revenues and other financing sources from governmental fund operations exceeded expenditures and other financing uses by \$552,388 for the fiscal year ended June 30, 2016. Further discussion of the District's operating results is available in the section entitled "Results of 2015-2016 Operations" located on the following pages.

B. Capital Outlay in Excess of Depreciation Expense

The cost of capital assets is allocated over the useful lives of the assets as depreciation expense. During 2015-2016, the District's current year depreciation was more than the investment in new or replacement assets, causing a decrease in net district assets. The District's overall net position was decreased by \$385,810 calculated as the difference between new capital investments of \$482,148 and depreciation allocated against the useful lives of district assets of \$867,958.

C. Long-Term Debt Activities

The District decreased its long-term debt obligations during 2015-2016 by making principal payments amounting to \$1,580,000 and issuing new debt of \$605,404. Amortization of the bond premiums and bond discount netted to \$57,993. Also, compensated absences increased by \$24,963. As a result of these activities, net district long-term debt liabilities decreased by \$1,007,626.

Results of 2015-2016 Operations

During the fiscal year ended June 30, 2016, the District's fund balances increased by \$552,388. A few additional significant factors affecting net position during the year are discussed below:

A. General Fund Operations

The General Fund is the main fund for the District and includes all the costs related to educating the students of the Madison District Public Schools such as: salaries and benefits for teachers, classroom aides, administrators, secretaries, custodians, maintenance staff, librarians, counselors, and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's revenues from General Fund operations exceeded expenditures by \$1,062,471 for the fiscal year ended June 30, 2016. The General Fund as of June 30, 2016, had a fund balance of \$1,175,130 or 7.7% of expenditures for the 2015-2016 fiscal year. The School District continues to seek ways to become more efficient, as well as increase revenues to build fund equity, and deal with fluctuations in school funding at the State level, while still continuing to provide optimal educational services for children.

B. 2013 Capital Projects Fund

The 2013 Capital Projects Fund is designated for the disbursement of monies from the 2013 Building and Site Bonds to fund capital improvements. The fund will be kept open for as long as there are funds unspent from the Building and Site Bonds.

Net Investment in Capital Assets

The District's net investment in capital assets decreased \$385,810 during the fiscal year. This can be summarized as follows:

	<u>Balance June 30, 2015</u>	<u>Net Change</u>	<u>Balance June 30, 2016</u>
Capital Assets	\$ 35,490,511	\$ 421,966	\$ 35,912,477
Less: accumulated depreciation	<u>(14,112,741)</u>	<u>(807,776)</u>	<u>(14,920,517)</u>
Net investment in capital outlay	<u>\$ 21,377,770</u>	<u>\$ (385,810)</u>	<u>\$ 20,991,960</u>

IMPORTANT ECONOMIC FACTORS

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 90 percent of the current year's fall count and 10 percent of current year's winter count
- c. The District's non-homestead property valuation

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Madison District Public Schools foundation allowance was \$7,126 per student for the 2015-2016 school year.

Student Enrollment

The District's State Aid Membership for 2015-2016 was 1,644. The District's enrollment increased from the prior school year's Fall student count. Subsequent to June 30, 2016, preliminary student enrollments for 2015-2016 are still being calculated at the time of the release of this report.

2. Property Taxes levied for General Operations (General Fund Non-homestead Taxes)

The District levies 17.9802 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5) percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-homestead property tax revenue for 2015-2016 fiscal year was \$1,838,013.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

Listed below is an analysis of the original budget and final budget to the final actual.

General Fund Expenditures and Other Uses Budget vs. Actual

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual & Original Budget	Actual & Final Budget
2015-2016	\$ 14,616,088	\$ 15,987,549	\$ 15,222,985	-4.0%	5.0%
2014-2015	14,290,310	14,550,972	14,589,031	-2.0%	-0.3%

General Fund Revenues and Other Sources Budget vs. Actual

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual & Original Budget	Actual & Final Budget
2015-2016	\$ 14,853,814	\$ 16,543,872	\$ 16,285,456	9.6%	-1.6%
2014-2015	13,777,560	13,613,870	13,658,845	-0.9%	0.3%

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year.

Additional Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2016 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2017 fiscal year is 90 percent and 10 percent of the October 2016 and February 2016 student counts, respectively. The 2017 fiscal year budget was adopted in June 2016, based on an estimate of students that will be enrolled in September 2016. Approximately 80 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. For the school year 2016-2017, the District's foundation allowance will increase from \$7,251 to \$7,391. Due to economic factors, the resident community of the District has become more transient so the District added a SOARCE virtual academy option at all grade levels to attract homeschooled students during the 2013-2014 school year and continued to advertise in an attempt to stabilize and grow enrollment. In FY 2016, the District sponsored a new charter school, Graces Keys Academies. This charter will continue to occupy one of the Districts buildings for fiscal year 2017. The District will oversee the curriculum offerings and business operations of the new charter school. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State Funding and the status of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

Additional Economic Factors and Next Year's Budgets and Rates - Continued

In fiscal year 2016, for those hired before July 1, 2010, the health and pension charge to employers in the District's retirement plan MIP/Basic with health subsidy is 36.31%, which is calculated as follows: 20.96% capped Unfunded Liability + 4.82% normal rate + 10.53 MPSERS UAAL . Districts will be responsible to pay the 20.96% + the normal cost of 4.82% for a district total of 25.78% and had to book the remaining 10.53% as UAAL Stabilization, which will be additional revenues and expenses. In fiscal year 2017, the MIP/Basic with health subsidy is 36.64%, which is calculated as follows: 24.94% charged on reported payroll + the MPSERS UAAL Stabilization rate 11.70%.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, it can be obtained by contacting the following person:

Ms. Michelle Schurman
Business Manager
Madison District Public Schools
26524 John R Road
Madison Heights, MI 48071
Phone: (248) 399-7800

BASIC FINANCIAL STATEMENTS

Madison District Public Schools
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,732,806
Accounts receivable	134,681
Due from other governmental units	3,081,522
Prepays	822
Inventories	12,579
Total current assets	4,962,410
Noncurrent assets	
Capital assets not being depreciated	1,732,004
Capital assets, net of accumulated depreciation	19,259,956
Total noncurrent assets	20,991,960
TOTAL ASSETS	25,954,370
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	2,344,457
Deferred amounts on refunding	46,662
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,391,119
LIABILITIES	
Current liabilities	
Accounts payable	210,283
Accrued payroll	580,188
Accrued interest payable	87,159
Other accrued liabilities	467,788
Short-term notes payable	1,923,565
Current portion of compensated absences	30,000
Current portion of long-term debt	1,687,993
Total current liabilities	4,986,976
Noncurrent liabilities	
Noncurrent portion of compensated absences	343,344
Self-insurance	19,200
Noncurrent portion of long-term debt	13,615,432
Net pension liability	19,957,428
Total noncurrent liabilities	33,935,404
TOTAL LIABILITIES	38,922,380
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	614,371
NET POSITION	
Net investment in capital assets	6,216,484
Restricted for debt service	6,999
Unrestricted	(17,414,745)
TOTAL NET POSITION	\$ (11,191,262)

See accompanying notes to financial statements.

Madison District Public Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 8,987,145	\$ 69,424	\$ 2,772,277	\$ (6,145,444)
Supporting services	6,819,308	16,793	731,941	(6,070,574)
Community services	34,903	60,780	-	25,877
Food service	1,072,926	92,701	966,664	(13,561)
Interest on long-term debt	532,197	-	-	(532,197)
	<u>\$ 17,446,479</u>	<u>\$ 239,698</u>	<u>\$ 4,470,882</u>	(12,735,899)
General revenues				
Property taxes, levied for general purposes				1,838,013
Property taxes, levied for debt service				1,546,986
State school aid - unrestricted				10,150,173
Gain on sale of asset				60,000
Other				37,789
				<u>13,632,961</u>
				897,062
				<u>(12,088,324)</u>
				<u><u>\$(11,191,262)</u></u>

See accompanying notes to financial statements.

Madison District Public Schools

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,515,878	\$ 93,088	\$ 123,840	\$ 1,732,806
Accounts receivable	134,681	-	-	134,681
Due from other governmental units	3,022,570	-	58,952	3,081,522
Due from other funds	-	1,070	397,312	398,382
Prepays	822	-	-	822
Inventories	-	-	12,579	12,579
TOTAL ASSETS	\$ 4,673,951	\$ 94,158	\$ 592,683	\$ 5,360,792
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 168,220	\$ -	\$ 42,063	\$ 210,283
Accrued payroll	577,970	-	2,218	580,188
Other accrued liabilities	466,844	-	944	467,788
Due to other funds	362,222	-	36,160	398,382
Short-term notes payable	1,923,565	-	-	1,923,565
TOTAL LIABILITIES	3,498,821	-0-	81,385	3,580,206
FUND BALANCES				
Nonspendable				
Prepays	822	-	-	822
Restricted				
Capital projects	-	-	481,287	481,287
Food service	-	-	30,011	30,011
Debt service	-	94,158	-	94,158
Unassigned	1,174,308	-	-	1,174,308
TOTAL FUND BALANCES	1,175,130	94,158	511,298	1,780,586
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,673,951	\$ 94,158	\$ 592,683	\$ 5,360,792

See accompanying notes to financial statements.

Madison District Public Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2016

Total fund balances - governmental funds \$ 1,780,586

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 35,912,477	
Accumulated depreciation is	<u>(14,920,517)</u>	
Capital assets, net		20,991,960

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date and state aid related to pensions will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	2,344,457	
Deferred inflows of resources related to pensions	<u>(614,371)</u>	
		1,730,086

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Deferred amounts on refunding		46,662
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Unamortized bond premiums and discounts	(84,065)	
Bonds and loans payable	(15,219,360)	
Self-insurance	(19,200)	
Compensated absences	(373,344)	
Accrued interest payable	(87,159)	
Net pension liability	<u>(19,957,428)</u>	
		<u>(35,740,556)</u>

Net position of governmental activities \$ (11,191,262)

Madison District Public Schools

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
REVENUES				
Local sources	\$ 2,068,375	\$ 1,546,986	\$ 92,701	\$ 3,708,062
State sources	12,602,156	-	34,695	12,636,851
Federal sources	731,941	-	931,969	1,663,910
TOTAL REVENUES	15,402,472	1,546,986	1,059,365	18,008,823
EXPENDITURES				
Current				
Instruction	8,556,979	-	-	8,556,979
Supporting services	6,631,269	-	-	6,631,269
Community services	34,737	-	-	34,737
Food service	-	-	1,055,529	1,055,529
Other	-	575	-	575
Capital outlay	-	-	476,506	476,506
Debt service				
Principal	-	1,580,000	-	1,580,000
Interest and fiscal charges	-	580,934	-	580,934
TOTAL EXPENDITURES	15,222,985	2,161,509	1,532,035	18,916,529
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	179,487	(614,523)	(472,670)	(907,706)
OTHER FINANCING SOURCES				
Payments from other districts	882,984	-	-	882,984
Proceeds from School Loan Revolving Fund	-	577,110	-	577,110
TOTAL OTHER FINANCING SOURCES	882,984	577,110	-0-	1,460,094
NET CHANGE IN FUND BALANCES	1,062,471	(37,413)	(472,670)	552,388
Fund balances, beginning of year	112,659	131,571	983,968	1,228,198
Fund balances, end of year	\$ 1,175,130	\$ 94,158	\$ 511,298	\$ 1,780,586

See accompanying notes to financial statements.

Madison District Public Schools

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Net change in fund balances - total governmental funds **\$ 552,388**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 482,148	
Depreciation expense	<u>(867,958)</u>	
Excess of depreciation expense over capital outlay		(385,810)

Repayment and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayments reduce long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current period, these amounts consist of:

Accrued interest on School Loan Revolving Fund	(28,294)	
Proceeds from School Loan Revolving Fund	(577,110)	
Amortization of bond premiums and discounts	57,993	
Debt repayment	1,580,000	
(Decrease) in deferred amount on refunding	<u>(23,330)</u>	
		1,009,259

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts consist of:

(Increase) in net pension liability	(2,279,717)	
Change in deferred outflows of resources related to pensions	643,055	
Change in deferred inflows of resources related to pensions	1,339,907	
Decrease in accrued interest payable	42,943	
(Increase) in compensated absences	<u>(24,963)</u>	
		<u>(278,775)</u>

Change in net position of governmental activities **\$ 897,062**

Madison District Public Schools

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND

June 30, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 104,983</u>
LIABILITIES	
Due to student groups and activities	<u>\$ 104,983</u>

See accompanying notes to financial statements.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of Madison District Public Schools. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the District as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. A separate column is shown for each major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. Fiduciary funds are reported by type.

The major funds of the District are:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District, except those required to be accounted for in another fund.
- b. Debt Service Fund - The Debt Service Fund is used to record local revenue sources for payment of interest, principal, and other expenditures on the long-term debt.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected with sixty (60) days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports unearned and unavailable revenue on its governmental funds balance sheet, when applicable. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty (60) days of year-end. Unearned revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

If/when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources if they are needed.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The District does not maintain a formalized encumbrance accounting system.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

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

- a. 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 for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by Board of Education 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 not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the Board of Education.
- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds.
- g. The budget, as presented, has been amended in a legally permissible manner.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts, pooled investment accounts, short-term investments, and imprest cash with an original maturity of 90 days or less. Cash equivalents are recorded at amortized cost, which approximates fair value.

7. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Due from Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2016 to be paid in July and August 2016. The total amount of due from other governmental units of \$3,081,522 consists of \$2,199,330 related to State Aid and \$882,192 for other governmental grants.

9. Prepays

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The Food Service Fund inventory consists of food and paper goods. Inventory that will be sold, rather than used in providing services (i.e. food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as “nonspendable” but instead are reflected as a component of restricted fund balance in accordance with GASB Statement No. 54.

11. Capital Assets

Capital assets include land, land improvements, buildings and additions, equipment, furniture, and other assets, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 and an estimated useful life of more than one (1) year. Capital assets also include individual cost items that are less than \$5,000 if the items were part of a large purchase to equip buildings. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. 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 asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	15 years
Buildings and additions	15 - 40 years
Vehicles	10 years
Equipment, furniture, and other assets	5 - 20 years

The District has no assets that would be classified as infrastructure assets.

12. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Compensated absences consist of earned but unused accumulated vacation and sick leave benefits, early retirement incentives, and other severance benefits. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet, when applicable, will report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of a net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two (2) items that qualify for reporting in this category. Deferred outflows of resources related to pensions result from changes in assumptions, the net difference between projected and actual earnings on pension plan investments, changes in proportionate share and differences between the District’s contributions and proportionate share of contributions, and contributions subsequent to the measurement date. Deferred amounts on refunding results from the differences in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of net position and the governmental funds balance sheet, when applicable, will report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has two (2) items that qualify for reporting in this category for deferred inflows of resources related to pensions that are reported in the district-wide financial statement of net position. Deferred inflows of resources related to pensions result from state aid related to pensions and differences between expected and actual experience.

14. Unearned Revenue

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance, such as summer school, community education programs, summer school lunch, recreational programs, and industrial facilities taxes are also unearned. These same amounts have been shown as "unearned revenue" to indicate that the revenue has not been recognized because it has not been earned.

15. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term. Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Short-term Note Obligations

Short-term debt is recognized as a liability and is included on the balance sheet of the applicable fund and statement of net position, as applicable. During the current year the District borrowed funds to meet short-term cash flow needs. The final payment is due and payable in August 2016, and anticipated State Aid is expected to be sufficient to cover this commitment.

17. Net Pension Liability

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.

18. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are assessed as of July 1 and December 1 and are due September 30 and February 28 of the following year. At these times, penalties and interest are assessed and the total obligation is added to the county tax rolls. School district property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Property Taxes - continued

The District levies taxes for the General Fund of \$17.9802 per \$1,000 of taxable valuation on nonprimary residence exempt property (2015 value \$97,915,564) and \$6.00 per \$1,000 of taxable valuation on commercial personal property (2015 value \$10,553,260) for general governmental services and \$7.76 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. Total 2015 taxable value of the District, which was used for the basis of the tax revenue for the applicable Debt Service Fund, was \$199,445,600.

19. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. 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 districts.

For the year ended June 30, 2016, the foundation allowance was based on the average of pupil membership counts taken in October 2015 and February 2015. The average calculation was weighted 90% for the October 2015 count and 10% for the February 2015 count.

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 nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

20. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

21. Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

22. Restrictions of Net Position

Restrictions of net position shown in the district-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

23. Federal Programs

Federal programs are accounted for in the specific governmental fund to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

24. Use of Estimates

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

25. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or National bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or Federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation (FDIC).
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the District.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2016, the carrying amount of the District's deposits was \$(272,839) and the bank balance was \$0. The carrying amount is negative due to outstanding checks that are covered from the MILAF+ accounts described below.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

- 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 quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Cash Equivalents

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The District participates in the Michigan Liquid Asset Fund Plus (MILAF+), the portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. It is MILAF+'s policy to compare amortized cost and fair values of the securities periodically throughout each month and as of the last business day of each month. Fair value is determined by reference to quoted market prices. MILAF+'s annual financial statement may be obtained at www.milaf.org. As of June 30, 2016, the District has \$2,109,628 invested with MILAF+.

MILAF+ portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Money market securities are valued using amortized cost, as outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by the MILAF+ Portfolio are categorized as Level 2.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2016, the MILAF+ investments were rated AAAM by Standard and Poor's and had a weighted average maturity (WAM) of 80 days.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Interest Rate Risk

The District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring 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 District's cash requirements.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk

The District will minimize custodial 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 authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board-approved policy. The District does not hold any investments subject to custodial credit risk of investments at year end.

As of June 30, 2016, the District's deposits and investments were reported as follows:

	Governmental Activities	Fiduciary Fund	Total
Cash and cash equivalents	\$ 1,732,806	\$ 104,983	\$ 1,837,789

The District had \$1,000 of imprest cash on hand.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,792,186	\$ -	\$ (60,182)	\$ 1,732,004
Capital assets being depreciated				
Land improvements	2,440,920	-	-	2,440,920
Buildings and additions	29,724,277	476,505	-	30,200,782
Vehicles	81,894	-	-	81,894
Equipment, furniture, and other assets	1,451,234	5,643	-	1,456,877
Total capital assets being depreciated	33,698,325	482,148	-0-	34,180,473

Madison District Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE C: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental activities - continued				
Less accumulated depreciation for:				
Land improvements	\$ (2,397,646)	\$ (42,254)	\$ -	\$ (2,439,900)
Buildings and additions	(11,088,984)	(640,354)	-	(11,729,338)
Vehicles	(50,806)	(6,073)	-	(56,879)
Equipment, furniture, and other assets	<u>(575,305)</u>	<u>(119,095)</u>	-	<u>(694,400)</u>
Total accumulated depreciation	<u>(14,112,741)</u>	<u>(807,776)</u>	-0-	<u>(14,920,517)</u>
Net capital assets being depreciated	<u>19,585,584</u>	<u>(325,628)</u>	-0-	<u>19,259,956</u>
Capital assets, net	<u>\$ 21,377,770</u>	<u>\$ (325,628)</u>	<u>\$ (60,182)</u>	<u>\$ 20,991,960</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 671,520
Supporting services	180,168
Community services	126
Food service	<u>16,144</u>
	<u>\$ 867,958</u>

The current depreciation expense of the governmental activities of \$807,776 has been adjusted by \$60,182 for the loss on disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

NOTE D: SHORT-TERM NOTES

On August 20, 2014, the District issued short-term State School Aid Anticipation Notes in the amount of \$1,431,000 for the purpose of funding operating expenditures during periods of low cash flows. The note was paid in full in August 2015.

On August 20, 2015, the District issued short-term State School Aid Anticipation Notes in the amount of \$2,300,000 for the purpose of funding operating expenditures during periods of low cash flows. These short-term notes, which have a net outstanding balance of \$1,923,565 at June 30, 2016, are reported in the financial statements under the caption short-term notes payable, which include interest payable of \$24,047. The funds to make the payment due will come from State Aid and other local sources. The outstanding balance is due in August 2016.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2016.

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
2013 School Building and Site Bonds	\$ 11,250,000	\$ -	\$ (175,000)	\$ 11,075,000	\$ 200,000
Plus: Capitalized bond premium	128,790	-	(4,600)	124,190	4,600
Less: Unamortized bond discount	(164,542)	-	5,877	(158,665)	(5,877)
2015 Refunding Bonds	4,225,000	-	(1,405,000)	2,820,000	1,430,000
Plus: Capitalized bond premium	177,810	-	(59,270)	118,540	59,270
School Loan Revolving Fund	718,956	605,404	-	1,324,360	-
Self-insurance	19,200	-	-	19,200	-
Compensated absences	348,381	94,274	(69,311)	373,344	30,000
Total	\$ 16,703,595	\$ 699,678	\$ (1,707,304)	\$ 15,695,969	\$ 1,717,993

Significant details regarding outstanding long-term debt (including current portions) are presented below:

Bonds Payable

\$11,400,000 School Building and Site Bonds dated June 27, 2013, due in annual installments ranging from \$200,000 to \$495,000 through May 1, 2043, with interest ranging from 1.50% to 4.25%, payable semi-annually. \$ 11,075,000

\$4,225,000 Refunding Bonds dated March 24, 2015 due in annual installments ranging from \$1,390,000 to \$1,430,000 through May 1, 2018, with interest of 3.00%, payable semi-annually. 2,820,000

\$ 13,895,000

Annual Requirements for Bonded Debt

The annual requirements to pay the bond principal and interest outstanding are as follows:

Years Ending June 30,	2015 Refunding Bonds			2013 School Building and Site Bonds		
	Principal	Interest	Totals	Principal	Interest	Totals
2017	\$ 1,430,000	\$ 84,600	\$ 1,514,600	\$ 200,000	\$ 438,356	\$ 638,356
2018	1,390,000	41,700	1,431,700	225,000	434,356	659,356
2019	-	-	-	365,000	429,856	794,856
2020	-	-	-	370,000	418,906	788,906
2021	-	-	-	375,000	407,806	782,806
2022-2026	-	-	-	1,950,000	1,810,031	3,760,031
2027-2031	-	-	-	2,075,000	1,417,531	3,492,531
2032-2036	-	-	-	2,200,000	985,438	3,185,438
2037-2041	-	-	-	2,330,000	508,939	2,838,939
2042-2043	-	-	-	985,000	62,900	1,047,900
	<u>\$ 2,820,000</u>	<u>\$ 126,300</u>	<u>\$ 2,946,300</u>	<u>\$ 11,075,000</u>	<u>\$ 6,914,119</u>	<u>\$ 17,989,119</u>

It is not possible to project a payment schedule for the Michigan School Bond Loans due to varying interest rates and timing of the repayments. As a result, it is not included in the schedule above.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: LONG-TERM DEBT - CONTINUED

Michigan School Bond Loan Program

In April 2016, the District borrowed from the Michigan School Bond Qualification and Loan Program. Repayment is due when the District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year, the interest rate was 3.34041 percent.

The District made no payments on the outstanding balance during this fiscal year. The balances at June 30, 2016, are as follows:

Loan balance	\$ 1,287,475
Interest balance	<u>36,885</u>
	<u>\$ 1,324,360</u>

Self-Insurance

The self-insurance liability was set-up for claims that have been incurred but not reported at June 30, 2016.

Compensated Absences

In accordance with District personnel policies and/or contracts negotiated with various employee groups of the District, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including payroll taxes, amount to \$373,344 as of June 30, 2016. This amount has been reported as a liability in the statement of net position, with applicable current and noncurrent portions.

Advance Refunding - Prior

On March 23, 2005 the District defeased a portion of the 1999 School Building and Site General Obligation Bonds, which were due and payable May 1, 2010 through May 1, 2018. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The District issued 2005 Refunding Bonds in the amount of \$12,750,000 to fund escrow amounts, pay the cost of issuance of the refunding bonds, and to pay a portion of the remaining balances of the 1999 School Building and Site General Obligation Bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the District's financial statements. At June 30, 2016, bonds due and payable on May 1, 2018 for 1999 School Building and Site General Obligation Bonds in the amount of \$4,335,000 are considered defeased.

On March 24, 2015, the District defeased a portion of the 2005 Refunding Bonds, which are due and payable May 1, 2016 through May 1, 2018. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2015 Refunding Bonds in the amount of \$4,225,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2016, bonds due and payable May 1, 2017 through May 1, 2018 for the 2005 Refunding Site Bonds in the amount of \$2,820,000 are considered defeased.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: INTERFUND RECEIVABLES AND PAYABLES

Amounts appearing as interfund payables and receivables arise from two (2) types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

The amount of interfund receivables and payables at June 30, 2016 are as follows:

Due to Debt Service Fund from:	
General Fund	<u>\$ 1,070</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 361,152
Nonmajor governmental funds	<u>36,160</u>
	<u>\$ 397,312</u>

NOTE G: EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

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

The System's financial statements are available at www.michigan.gov/mpers-cafr.

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

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

CONTRIBUTIONS AND FUNDED STATUS

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, 2015, valuation will be amortized over a 21 year period for ORS' 2015 fiscal year.

The schedule below summarizes pension contribution rates in effect for ORS' 2015 fiscal year.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0 %	22.52 - 23.07 %
Member Investment Plan	3.0 - 7.0 %	22.52 - 23.07 %
Pension Plus	3.0 - 6.4 %	21.99 %
Defined Contribution	0.0 %	17.72 - 18.76 %

Required contributions to the pension plan from the District were \$1,561,180 for the year ended September 30, 2015.

NET PENSION LIABILITY - NON-UNIVERSITY

Measurement of the MPSERS Net Pension Liability

The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPSERS (Plan) Net Pension Liability - Non-University

	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Total Pension Liability	\$ 66,132,041,902	\$ 62,859,499,994
Plan Fiduciary Net Position	<u>41,887,015,147</u>	<u>39,427,686,072</u>
Net Pension Liability	<u><u>\$ 24,245,026,755</u></u>	<u><u>\$ 23,431,813,922</u></u>

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Measurement of the MPSERS Net Pension Liability - continued

At June 30, 2016, the District reported a liability of \$19,957,428 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was 0.08170893 percent, which was an increase of 0.00144893 percent from its proportion measured as of September 30, 2014.

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:

Actuarial Assumptions

Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For Retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Long-Term Expected Return on Plan Assets - continued

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, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0 %	5.9 %
% Alternative Investment Pools	18.0 %	9.2 %
International Equity	16.0 %	7.2 %
Fixed Income Pools	10.5 %	0.9 %
Real Estate and Infrastructure Pools	10.0 %	4.3 %
Absolute Return Pools	15.5 %	6.0 %
Short Term Investment Pools	2.0 %	0.0 %
Total	<u>100 %</u>	

*Long-term rate of return does not include 2.1% inflation.

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid 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 8.0% (7.0% for the Pension Plus 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

<u>1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%</u>	<u>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%</u>	<u>1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%</u>
\$ 25,730,241	\$ 19,957,428	\$ 15,090,711

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PENSION EXPENSE AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2016, the District recognized total pension expense of \$1,760,305. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 66,105
Changes of assumptions	491,394	-
Net difference between projected and actual earnings on pension plan investments	101,867	-
Changes in proportion and differences between Madison District Public Schools contributions and proportionate share of contributions	272,991	-
Madison District Public Schools contributions subsequent to the measurement date	1,478,205	-
State Aid related to pensions	-	548,266
Total	\$ 2,344,457	\$ 614,371

\$1,478,205 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, 2017. \$548,266 reported as deferred inflows of resources under the caption "State aid related to pensions" will be recognized as an increase to state aid revenue in the year ended June 30, 2017. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2016	\$ 129,477
2017	129,477
2018	102,829
2019	438,364
	\$ 800,147

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

DEFINED CONTRIBUTION PLAN

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contribution for the year ended June 30, 2016, was \$23,092.

NOTE H: OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.0 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits of pay-as-you-go basis. Participating employers are required to contribute at that rate.

Contribution rates for the year ended June 30, 2016, are as follows:

	Health Contribution Rate	
	Basic/MIP	Pension Plus
July 1, 2015 - September 30, 2015	2.20 - 2.71%	2.20 - 2.71%
October 1, 2015 - June 30, 2016	6.40 - 6.83%	6.40 - 6.83%

The District's required and actual contributions to the various plans for the last three fiscal years are as follows:

Fiscal Year Ended June 30,	Defined Benefit Plan	Defined Contribution Plan	
	Employer Health Contributions	Employer Contributions	Employee Contributions
2016	\$ 376,262	\$ 23,092	\$ 41,313
2015	363,948	17,875	28,408
2014	432,562	11,875	16,418

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler, property, fleet, liability, in-land marine, equipment breakdown, builder's risk, employee dishonesty, crime, and error and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's 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 District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's 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 District has not been informed of any special assessments being required.

The District estimates the liability for dental and vision claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The obligation is recorded on the statement of net position and is estimated at \$19,200.

NOTE J: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment has not been determined by the District.

For assigned fund balance, the District has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Education.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE J: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

The District has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

NOTE K: CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the District expected such amounts, if any, to be immaterial.

NOTE L: RELATED-PARTY TRANSACTIONS

The District has a vendor relationship with a company owned by the husband of one of the District's secretaries. The District currently uses this vendor for electric supplies and services. The total amount purchased from this company for the 2015-16 school year was \$15,245. All transactions were conducted at arm's length.

NOTE M: BONDED CONSTRUCTION FUNDS

The 2013 School Building and Site Bonds Capital Project Fund of the District include the capital project activities funded in part by the 2013 School Building and Site General Obligation Bonds. The remaining funding for the activities recorded within this Capital Project Fund is funded by other local dollars (i.e., interest, etc.). For the project recorded within the 2013 School Building and Site Bonds Capital Project Fund, the District has complied with the applicable provisions of Section 1351 (1) of the Revised School Code in the current year.

NOTE N: SUBSEQUENT EVENT

In August 2016, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan in the amount of \$2,200,000 was for the purpose of funding operating expenditures until the fiscal year 2016 State Aid payments begin. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE O: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE P: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2017-2018 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2016-2017 fiscal year.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Madison District Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 2,114,841	\$ 2,198,709	\$ 2,068,375	\$ (130,334)
State sources	10,976,005	12,702,107	12,602,156	(99,951)
Federal sources	891,553	761,995	731,941	(30,054)
TOTAL REVENUES	13,982,399	15,662,811	15,402,472	(260,339)
EXPENDITURES				
Current				
Instruction				
Basic programs	5,979,243	6,949,272	6,909,706	39,566
Added needs	1,941,314	1,595,719	1,647,273	(51,554)
Total instruction	7,920,557	8,544,991	8,556,979	(11,988)
Supporting services				
Pupil	1,038,342	1,201,597	1,089,749	111,848
Instructional staff	899,441	1,074,338	925,726	148,612
General administration	499,103	638,674	600,420	38,254
School administration	1,093,192	1,129,939	1,069,316	60,623
Business	574,499	743,431	505,804	237,627
Central	160,240	160,240	126,779	33,461
Pupil transportation	427,000	427,000	397,962	29,038
Athletics	171,132	171,132	180,658	(9,526)
Operations and maintenance	1,766,695	1,831,385	1,734,855	96,530
Total supporting services	6,629,644	7,377,736	6,631,269	746,467
Community services	65,887	64,822	34,737	30,085
TOTAL EXPENDITURES	14,616,088	15,987,549	15,222,985	764,564
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(633,689)	(324,738)	179,487	504,225
OTHER FINANCING SOURCES				
Payments from other districts	871,415	881,061	882,984	1,923
NET CHANGE IN FUND BALANCE	237,726	556,323	1,062,471	506,148
Fund balance, beginning of year	112,659	112,659	112,659	-0-
Fund balance, end of year	<u>\$ 350,385</u>	<u>\$ 668,982</u>	<u>\$ 1,175,130</u>	<u>\$ 506,148</u>

Madison District Public Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Two Measurement Fiscal Years (ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 9/30 of each fiscal year)

	<u>2014</u>	<u>2015</u>
Madison District Public Schools' proportion of net pension liability (%)	0.08026%	0.08171%
Madison District Public Schools' proportionate share of net pension liability	\$ 17,677,711	\$ 19,957,428
Madison District Public Schools' covered-employee payroll	\$ 6,939,057	\$ 6,767,142
Madison District Public Schools' proportionate share of net pension liability as a percentage of its covered-employee payroll	254.76%	294.92%
Plan fiduciary net position as a percentage of total pension liability	66.20%	63.17%

Madison District Public Schools

SCHEDULE OF CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Two Fiscal Years (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	<u>2015</u>	<u>2016</u>
Statutorily required contributions	\$ 1,356,628	\$ 1,828,012
Contributions in relation to statutorily required contributions	<u>1,356,628</u>	<u>1,828,012</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Madison District Public Schools' covered employee payroll	\$ 6,730,909	\$ 6,423,616
Contributions as a percentage of covered employee payroll	20.16%	28.46%

Madison District Public Schools

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2016

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2016, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
Instruction			
Added needs	\$ 1,595,719	\$ 1,647,273	\$ 51,554
Supporting services			
Athletics	171,132	180,658	9,526

NOTE B: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

Changes of benefit terms: There were no changes of benefit terms in 2015.

Changes of assumptions: Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by MPSERS for use in annual pension valuations beginning with the September 30, 2014, valuation. These changes result in an amount shown as deferred outflows of resources as disclosed in Note G to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

Madison District Public Schools

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Fund	Capital Project Fund	
	Food Service	2013 Capital Project	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 123,840	\$ 123,840
Due from other governmental units	58,952	-	58,952
Due from other funds	-	397,312	397,312
Inventories	12,579	-	12,579
	<u>71,531</u>	<u>521,152</u>	<u>592,683</u>
TOTAL ASSETS	\$ 71,531	\$ 521,152	\$ 592,683
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,198	\$ 39,865	\$ 42,063
Accrued payroll	2,218	-	2,218
Accrued liabilities	944	-	944
Due to other funds	36,160	-	36,160
	<u>41,520</u>	<u>39,865</u>	<u>81,385</u>
TOTAL LIABILITIES	41,520	39,865	81,385
FUND BALANCES			
Restricted			
Capital projects	-	481,287	481,287
Food service	30,011	-	30,011
	<u>30,011</u>	<u>481,287</u>	<u>511,298</u>
TOTAL FUND BALANCES	30,011	481,287	511,298
TOTAL LIABILITIES AND FUND BALANCES	\$ 71,531	\$ 521,152	\$ 592,683

Madison District Public Schools

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	Special Revenue Fund <u>Food Service</u>	Capital Project Fund <u>2013 Capital Project</u>	<u>Total</u>
REVENUES			
Local sources	\$ 92,701	\$ -	\$ 92,701
State sources	34,695	-	34,695
Federal sources	931,969	-	931,969
	<u>1,059,365</u>	<u>-0-</u>	<u>1,059,365</u>
EXPENDITURES			
Current			
Food service	1,055,529	-	1,055,529
Capital outlay	-	476,506	476,506
	<u>1,055,529</u>	<u>476,506</u>	<u>1,532,035</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	3,836	(476,506)	(472,670)
Fund balances, beginning of year	<u>26,175</u>	<u>957,793</u>	<u>983,968</u>
Fund balances, end of year	<u>\$ 30,011</u>	<u>\$ 481,287</u>	<u>\$ 511,298</u>

OTHER FINANCIAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheet, and statement of revenues and expenditures and changes in fund balance for the 2013 School and Building and Site Bond Issue Capital Project Fund of Madison District Public Schools, Michigan, for the thirty-five month and four day period ended May 31, 2016. These financial statements are the responsibility of the school district's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements were prepared for the purpose of complying with the provisions of the Revised School Code, Public Act 451 of 1976 as described in Note B. The presentation is not intended to be a presentation of the school district's total revenues and expenditures.

In our opinion, the statements referred to above present fairly, in all material respects, the financial position of the 2013 School Building and Site Bond Issue Capital Project Fund of Madison District Public Schools, Michigan at May 31, 2016 and the results of its operations for the thirty-five months and four day period then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2016 on our consideration of the school district's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should read in conjunction with this report in considering the results of our audit.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 15, 2016

Madison District Public Schools

2013 School Building and Site Bond Issue Capital Project Fund

BALANCE SHEET

May 31, 2016

ASSETS

Cash and cash equivalents
Due from other funds

\$ 123,678
395,454

TOTAL ASSETS

\$ 519,132

FUND BALANCE

Restricted

\$ 519,132

Madison District Public Schools

2013 School Building and Site Bond Issue Capital Project Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Thirty-five Month and Four Day Period Ended May 31, 2016

REVENUES	
Local sources	\$ 758,527
EXPENDITURES	
Capital outlay	11,451,351
Debt service	<u>57,000</u>
TOTAL EXPENDITURES	<u>11,508,351</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(10,749,824)
OTHER FINANCING SOURCES (USES)	
Bond proceeds	11,307,262
Bond premium	137,990
Bond discount	<u>(176,296)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>11,268,956</u>
NET CHANGE IN FUND BALANCE	519,132
Fund balance, beginning of period	<u>-0-</u>
Fund balance, end of period	<u><u>\$ 519,132</u></u>

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS
May 31, 2016

NOTE A: REPORTING ENTITY

The Madison District Public Schools is comprised of K-12 operations. The school district's board of education members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. This report includes only the balance sheet and statement of revenues, expenditures, and changes in fund balance of the 2013 School Building and Site Bond Issue Capital Project Fund of the school district. Its activities are considered to be part of the school district and controlled by the board of education.

NOTE B: BOND DESCRIPTION

1. General

The school district issued the 2013 General Obligation School Building and Site Bond Issue on June 27, 2013, in the amount of \$11,400,000. The principal and interest on this bond issue is financed primarily from property taxes. The bonds, dated June 27, 2013, which bear interest at 1.5-4.25% are due serially through 2043.

The bond proceeds and interest income earned on those proceeds were used for the purpose of erecting, furnishing, and equipping an elementary school building, demolishing an existing structure, and improving and developing the site.

2. Basis of Presentation

The accompanying statements have been prepared based on the modified accrual basis of accounting, in accordance with generally accepted accounting principles. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The Revised School Code, Public Act 451 of 1976, Section 1351a, requires that an independent audit be performed on certain operating results and compliance tests performed related to specified bond activities.

The accompanying statements reflect the activity of the 2013 General Obligation School Building and Site Bond Issue, recorded in the school district's 2013 School Building and Site Bond Issue Capital Project Fund, from the date of the bond issue, June 27, 2013, through project completion, May 31, 2016. The project for which the bonds were issued was considered substantially complete as of May 31, 2016.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts, pooled investment accounts, short-term investments, and imprest cash with an original maturity of 90 days or less. Cash equivalents are recorded at market value.

NOTE C: CASH AND CASH EQUIVALENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

NOTES TO FINANCIAL STATEMENTS

May 31, 2016

NOTE C: CASH AND CASH EQUIVALENTS - CONTINUED

2. Certificates of deposit issued by a State or National bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or Federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation (FDIC).
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the District.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

- 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 quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

NOTES TO FINANCIAL STATEMENTS

May 31, 2016

NOTE C: CASH AND CASH EQUIVALENTS - CONTINUED

Cash Equivalents

As of May 31, 2016, the carrying amounts and market values for the type of investments as reported in the cash and cash equivalents captions on the financial statements is as follows:

<u>Investment Type</u>	<u>Carrying Amount/ Market Value</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Uncategorized - Pooled investment funds			
MILAF+ Cash Management Class	\$ 4,334	53 days	S&P AAAm
MILAF+ Max Class	<u>119,344</u>	53 days	S&P AAAm
	<u>\$ 123,678</u>		

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The District participates in the Michigan Liquid Asset Fund Plus (MILAF+), the portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. It is MILAF+'s policy to compare amortized cost and fair values of the securities periodically throughout each month and as of the last business day of each month. Fair value is determined by reference to quoted market prices. MILAF+'s annual financial statement may be obtained at www.milaf.org. As of May 31, 2016, the District has \$123,678 invested with MILAF+.

MILAF+ portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Money market securities are valued using amortized cost, as outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by the MILAF+ Portfolio are categorized as Level 2.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The District's investments listed above were rated AAAm by Standard & Poor's at May 31, 2016.

Interest Rate Risk

The District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring 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 District's cash requirements.

Madison District Public Schools
NOTES TO FINANCIAL STATEMENTS
May 31, 2016

NOTE C: CASH AND CASH EQUIVALENTS - CONTINUED

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk

The 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 or securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board-approved policy. The District does not hold any investments subject to custodial credit risk of investments at year end.

**Madison District Public Schools
Madison Heights, Michigan**

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2016

Madison District Public Schools

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

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Madison District Public Schools (the District) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 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 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 Madison District Public Schools' compliance.

Opinion on the Major Federal Programs

In our opinion, Madison District Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-004. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the 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 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 Madison District Public Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison District Public Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 15, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 15, 2016

Madison District Public Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Prior Years' Expenditures	Restated Balance July 1, 2015 Accrued or (Unearned) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2016 Accrued or (Unearned) Revenue
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through the Michigan Department of Education								
Child Nutrition Cluster								
School Breakfast Program	10.553	(e)(f)						
2015-16		161970	\$ 241,236	\$ -	\$ -	\$ 223,831	\$ 241,236	\$ 17,405
2014-15		151970	185,433	151,969	-	33,464	33,464	-0-
			426,669	151,969	-0-	257,295	274,700	17,405
National School Lunch Program	10.555	(e)(f)						
2015-16 Noncash assistance - entitlement commodities (a)		23090	67,280	-	-	67,280	67,280 (c)	-0-
2014-15 Cash Assistance		151960	371,984	303,840	-	68,144	68,144	-0-
2015-16 Cash Assistance		161960	490,922	-	-	456,891	490,922	34,031
			930,186	303,840	-0-	592,315	626,346	34,031
Summer Food Service Program for Children	10.559	(e)(f)						
2014-15 SFSP Operating Cash Assistance		150900	40,928	22,566	4,640	23,002	18,362	-0-
2015-16 SFSP Operating Cash Assistance		160900	2,621	-	-	-	2,621	2,621
2014-15 SFSP Admin Cash Assistance		151900	3,705	1,803	481	2,383	1,902	-0-
2015-16 SFSP Admin Cash Assistance		161900	272	-	-	-	272	272
			47,526	24,369	5,121	25,385	23,157	2,893
TOTAL CHILD NUTRITION CLUSTER			1,404,381	480,178	5,121	874,995	924,203	54,329
Child and Adult Care Food Program	10.558							
CACFP Operating								
2015-16		161920	6,883	-	-	5,950	6,883	933
2014-15		151920	34,954	34,071	-	883	883	-0-
			41,837	34,071	-0-	6,833	7,766	933
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,446,218	514,249	5,121	881,828	931,969	55,262

See accompanying notes to the schedule.

Madison District Public Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Prior Years' Expenditures	Restated Balance July 1, 2015 Accrued or (Unearned) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2016 Accrued or (Unearned) Revenue
U.S. DEPARTMENT OF EDUCATION								
Passed Through the Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010							
2014-15 Regular - Part A		1515301415	\$ 413,812	\$ 412,165	\$ 76,525	\$ 76,525	\$ -	\$ -0-
2015-16 Regular - Part A		1615301516	380,304	-	-	-	380,304	380,304
			794,116	412,165	76,525	76,525	380,304	380,304
English Language Acquisition State Grants (Title III)	84.365							
2014-15 Limited English		1505801415	21,464	21,464	21,464	21,464	-	-0-
2015-16 Limited English		1605801516	14,517	-	-	-	14,517	14,517
2014-15 Immigrant Students		1515701415	20,896	20,896	20,896	20,896	-	-0-
			56,877	42,360	42,360	42,360	14,517	14,517
Improving Teacher Quality State Grants (Title II, Part A)	84.367							
2015-16		1605201516	111,790	-	-	-	79,956	79,956
2014-15		1505201415	123,950	123,950	107,789	107,789	-	-0-
			235,740	123,950	107,789	107,789	79,956	79,956
Passed Through the Michigan Department of Education and Oakland Schools								
Special Education Grants to States (IDEA Flowthrough)	84.027 ^(g)							
2015-16		1604501516	244,392	-	-	-	244,392	244,392
2014-15		1504501415	291,540	291,540	291,540	291,540	-	-0-
			535,932	291,540	291,540	291,540	244,392	244,392
Special Education Preschool Grants (Incentive)	84.173 ^(g)							
2015-16		1604601516	12,772	-	-	-	12,772	12,772
2014-15		1504601415	13,364	13,364	13,364	13,364	-	-0-
			26,136	13,364	13,364	13,364	12,772	12,772
TOTAL U.S. DEPARTMENT OF EDUCATION			1,648,801	883,379	531,578	531,578	731,941	731,941
TOTAL FEDERAL AWARDS			\$ 3,095,019	\$ 1,397,628	\$ 536,699	\$ 1,413,406	\$ 1,663,910	\$ 787,203

(d)

(b)

See accompanying notes to the schedule.

Madison District Public Schools

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Madison District Public Schools, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The District has elected not to use the 10 percent de minimus indirect rate allowed under the Uniform Guidance.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) through (g) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) The current year revenues/expenditures for the Food Donation Program are determined based on the 2002/03 guidance provided previously from the Michigan Department of Education Administrative Policy Number 7. The amounts reported in this schedule as commodities received were taken from the Recipient Entitlement Balance Report which is in agreement in all material respects with the District's reported amounts.
- (b) The expenditures reported in this schedule are in agreement with the amounts reported in the financial statements and financial reports. The financial reports tested, including claims for advances and reimbursements, were materially correct, complete, accurate, and timely and contain information that is supported by the books and records from which the financial statements have been prepared.
- (c) The amount of out of condition commodities due to spoilage or shrinkage included in expenditures is immaterial to the Schedule of Expenditures of Federal Awards taken as a whole.
- (d) The amounts reported in this schedule as cash received are in agreement with the "paid during date range" amounts in the Grant Auditor Report, except as noted in Note D.
- (e) Denotes programs tested as "major program."
- (f) Denotes programs required to be clustered by the United States Department of Agriculture.
- (g) Denotes programs required to be clustered by the United States Department of Education.

NOTE C: SUBRECIPIENTS

No Federal awards were passed through by the District to any subrecipients during the year.

Principals

Dale J. Abraham, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



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

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

We have audited, in accordance with the auditing standards generally in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison District Public Schools (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002, and 2016-003, that we consider to be significant deficiencies.

Compliance and Other Matters

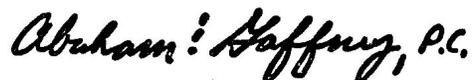
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Madison District Public Schools' Responses to Findings

Madison District Public Schools' responses to the findings identified in our audit are described in the accompanying corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 15, 2016

Madison District Public Schools

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

2016-001 CASH RECEIPTS PROCESS

Condition: During our review of internal controls at the High School, we noted opportunities to strengthen internal controls over the cash receipting procedures. Specifically, it was noted that the High School did not consistently use pre-numbered receipts and bank deposit support could not be located for some transactions.

Criteria: Proper records of cash receipts, including keeping appropriate supporting documentation, are necessary to maintain adequate internal controls over sensitive areas such as this.

Cause: Unknown.

Effect: Without adequate controls in place, the District is exposed to an increased risk of loss due to error or fraud.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

Section II - Financial Statement Findings - Continued

2016-001 CASH RECEIPTS PROCESS - CONTINUED

Recommendation: We recommend that the District use a pre-numbered receipt book that contains three copies for every receipt that is taken. One copy of the receipt should go to the payor. The second copy should be attached to the deposit. The third copy should be kept and be available for audit purposes.

2016-002 MISSING PERSONNEL FILE

Condition: During our review of the census data submitted for the pension plan, the District was not able to provide the personnel file of one former employee that was selected to be tested.

Criteria: Retention of present and past employee personnel files are necessary to support information in the District's payroll system and information submitted to the Office of Retirement Services.

Cause: Unknown.

Effect: The District does not have all the applicable source documentation to support the information in its payroll system and what is submitted to the Office of Retirement Services.

Recommendation: We recommend that the District retain all present and past employee personnel files.

2016-003 PAY RATE DISCREPANCIES

Condition: During our testing of payroll, we noted two employees who were not being paid according to the contract in their personnel file. Both employees were paid more than their contracted or approved amounts. Neither difference was material. We noted no internal controls in place to identify any such differences.

Criteria: Management is responsible for the design and implementation of internal controls over sensitive areas such as payroll.

Cause: Unknown. The District was unable to explain why the rates were incorrect.

Effect: Both employees' pay rates were not entered into the system correctly from the contract. Without the proper pay rate being entered, salary expense and accrued wages may be misstated at year end.

Recommendation: We recommend that the District implement procedures to review all pay rates once they have been entered into the payroll system.

Section III - Federal Award Findings

Program: Child Nutrition Cluster from U.S. Department of Agriculture passed through Michigan Department of Education CFDA# 10.553, 10.555, and 10.559, pass-through grant numbers 151970, 161970, 151960, 161960, 150900, 160900, 151900, and 161900.

Finding Type: Immaterial Noncompliance (Reporting)

2016-004 CLAIMED MEALS REPORTING

Condition: We noted during our testing of claimed meals for February 2016 that sixty (60) meals were claimed for reimbursement in excess of what the District could support being served for the month.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

Section III - Federal Award Findings - Continued

2016-004 CLAIMED MEALS REPORTING - CONTINUED

Questioned costs: None.

Criteria: Per the State compliance supplement, daily and monthly meal counts should be accurate and used as a basis for preparing the monthly claim for reimbursement.

Cause: Unknown.

Effect: The District was not in compliance with applicable National School Lunch Program regulations.

Recommendation: We recommend the District ensure that monthly claimed meals reported to the State for reimbursement are accurate and complete.



MADISON DISTRICT PUBLIC SCHOOLS

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2016-001

A pre-numbered receipt book that contains three copies of every receipt is currently implemented in the high school, and a review of procedures as well as oversight will continue throughout this year. Michelle Schurman, Business Manager, and David Hurnevich, Principal, will oversee the implementation of corrected procedures.

2016-002

The District will maintain all current and past employee files. Lora Gonzales will ensure the files are kept secure and complete.

2016-003

The District will implement a double check system for entering original contract amounts. A file will be kept in the Business Office as well as Human Resources that will have current contract amounts. Human Resources will enter the original contract and payroll with check the entered contract amount. Michelle Schurman will do periodic audits on contract amounts.



MADISON DISTRICT PUBLIC SCHOOLS

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October 19, 2016

NSLP finding- Over claim of 60 students for lunch on February 2016 Claim.

NSLP Corrective action for incorrect claiming of lunches is as follows:

Madison District Public Schools will now be using a double check system with another person to verify the numbers entered in the claim match the numbers on the spread sheets that the counts are tabulated on. Catherine Vyse, Michelle Fuller's Assistant will verify the numbers entered in the claim match the tabulated amounts before the claim is certified.

The people responsible for the procedure will be Michelle Fuller, Food service Director and Catherine Vyse, coordinator of operations.

The procedure will be implemented beginning with the October 2016 Food Service Claim.

The corrective action plan documentation will be retained at the office of the Superintendent.

Michelle Fuller and Catherine Vyse will follow the corrective action plan outlined above in accordance with the National School Lunch Program.

Sincerely,

Michelle Fuller
Madison District Public Schools
Food Service Director

Cc: Michelle Schurman
Mr. Randy Speck

Madison District Public Schools

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2016

FINDINGS/NONCOMPLIANCE

Control Deficiencies Related to Internal Controls over the Basic Financial Statements.

2015-001 SEGREGATION OF DUTIES AND SUPERVISORY REVIEW

Condition: During the prior year audit, we identified that there did not appear to be proper segregation of duties related to some specific transactions of the District: supervisory review of bank reconciliations and manual journal entries posted by the Business Manager who also has access to all bank accounts as a signor.

Current status: The bank reconciliations and manual journal entries are now being prepared by someone other than the Business Manager; therefore, we consider this issue to be resolved.

2015-002 CASH RECEIPTS PROCESS

Condition: During our review of the decentralized cash receipts process in the prior year, we noted that the Elementary School was not using pre-numbered receipts with multiple copies.

Current status: The District has implemented the use of pre-numbered receipts at the Elementary School; therefore, we consider this issue to be resolved.

2015-003 APPROVAL OF TIMESHEETS

Condition: During our review of the internal controls surrounding payroll in the prior year, we noted three (3) instances where the proper forms were not signed by a supervisor to verify employee hours.

Current status: During our review of internal controls surrounding payroll in the current year, we noted that all timesheets selected for testing were signed by a supervisor; therefore, we consider this issue to be resolved.

2015-004 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the District's compliance with the budgeting act in the prior year, we noted that expenditures had exceeded the amounts appropriated for certain activities in the General Fund, Debt Service Fund, and Food Service Fund (nonmajor).

Current status: The District had no material non-compliance with the budgeting act in the current year; therefore, we consider this issue to be resolved.

2015-005 SOARCE PROGRAM DISBURSEMENTS

Condition: During our review of disbursements for the SOARCE program in the prior year, we noted that parents were contracting with various providers for services and the District was then reimbursing the parents for monies spent.

Current status: During our review of disbursements for the SOARCE program in the current year, we noted that reimbursements were made to the service providers instead of parents; therefore, we consider this issue to be resolved.

Madison District Public Schools

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED

Year Ended June 30, 2016

FINDINGS/NONCOMPLIANCE - CONTINUED

Findings Related to Compliance with Requirements Applicable to the Basic Financial Statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

No prior audit findings noted.