

School District liabilities are homeowners' liabilities; after all it is homeowners' school taxes that pay for School District liabilities. So if Homeowners want to know what future taxes will be, the School District simply has to disclose future projected liabilities. Herein is a major point of contention between the School Board and MPSA. Just how much in future liabilities has the District incurred but has not informed Homeowners?

At the December 8<sup>th</sup> School Board meeting, the district distributed a forty-nine page audited financial statements. As you review the financial statements, you get the sense that the School District has withheld liability information, thus making it impossible for homeowners to understand what their future taxes will be.

Is this legal; yes. Is this ethical; no. Details follow.

Last year, the estimated School District's unfunded Retiree Healthcare liability not disclosed in the financial statements was \$280,000,000. The District at the time said publicly they would do a study to confirm the \$280,000,000. This year audited statements do not disclose a study was done-why not?

As reported last year, regarding the \$280,000,000 liability, the liability will grow at the rate of medical inflation or 8% for this year. As such, the liability may have grown by over \$20,000,000-bringing the liability up to approximately \$300,000,000. The audited report indicates the District funded \$2,538,952 towards this liability. As one can observe, the liability is growing and will eventually affect taxes some time in the future.

The District appears to have made an error in judgment by signing Union contracts without capping or limiting retiree healthcare liabilities. Further, the District should prioritize spending so that tax dollars are invested in the classroom and infrastructure rather than Retiree Healthcare. After all, Retiree Healthcare funding is the responsibility of Medicare not school tax dollars.

Pension expense nearly \$3,000,000 each year appears to have doubled in the past three years, once again no disclosure on future liabilities.

The school district should provide homeowners with 5-10 year spending projections, inclusive of all liabilities. While it is legal to withhold such information, MPSA believes there is an ethical and fiduciary responsibility to provide such projections, in particular with the anticipated \$17,184,810 building improvement project that will be subject to a Voter Referendum.