

**MONTCALM AREA INTERMEDIATE SCHOOL
DISTRICT**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
additional supplementary information)**

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Montcalm Area Intermediate School District

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 Montcalm Area Intermediate School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Montcalm Area Intermediate School 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 Montcalm Area Intermediate School District as of June 30, 2020, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 11 to the financial statements, Montcalm Area Intermediate School District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is 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 and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montcalm Area Intermediate School District's basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary 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 additional supplementary 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the 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 September 23, 2020 on our consideration of Montcalm Area Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Montcalm Area Intermediate School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montcalm Area Intermediate School District's internal control over financial reporting and compliance.

Maney Costeiran PC

September 23, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Montcalm Area Intermediate School District’s (MAISD) annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended June 30, 2020. Please read it in conjunction with the District’s financial statements, which immediately follow this section. A comparative analysis with the prior year has been provided.

FINANCIAL HIGHLIGHTS

- Total **General Education fund** revenues and other financing sources were \$7.02 million and expenditures and other financing uses were \$6.94 million. At June 30, 2020, the fund balance in the general fund was \$1,507,099. This is an increase of \$83,493 from the 2018-2019 fiscal year.
- Total **Special Education fund** revenues and other financing sources were \$20.81 million and expenditures and other financing uses were \$20.55 million. At June 30, 2020, the fund balance in the special education fund was \$5,266,314. This is an increase of \$264,315 from the 2018-2019 fiscal year.
- Total **Career Technical Education fund** revenues were \$2.44 million and expenditures and other financing uses were \$2.36 million. At June 30, 2020, the fund balance in the career technical education fund was \$1,312,042. This is an increase of \$82,747 from the 2018-2019 fiscal year.

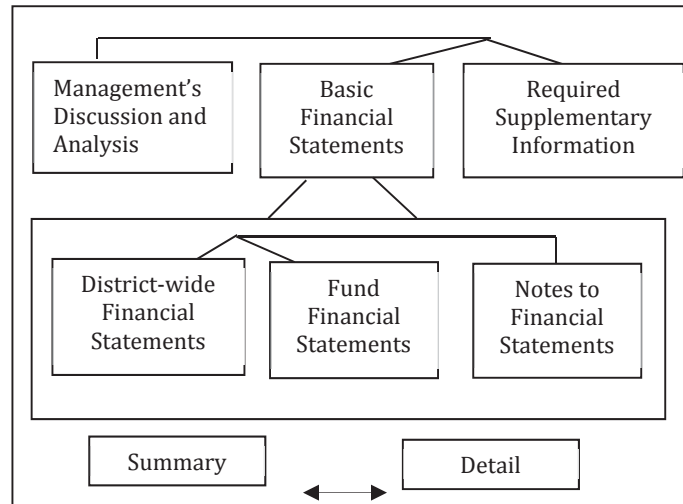
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the District-wide statements.

- The *governmental funds* statements tell how basic services like general and special education were financed in the short-term as well as what remains for future spending.

**Figure A-1
Organization of Montcalm Area
Intermediate School District’s Annual
Financial Report**



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District’s budgets for the year and pension and other postemployment benefit related information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-wide and Fund Financial Statements		
	<u>District-wide Statements</u>	<u>Fund Financial Statements Governmental Funds</u>
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary: General, Special Education, Career Technical Education, and major Capital Projects Funds
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statements of net position include *all* of the District's assets, deferred inflows, deferred outflows, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report on the District's *net position* and how they have changed. Net position - the difference between the District's assets, deferred outflows, deferred inflows, and liabilities - is one way to measure the District's overall financial health or *position*.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as general, special education, and career technical education. Property taxes, state aid, and federal grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law.
- The District establishes other funds to control and manage money for particular purposes (like its capital projects funds) or to show that it is properly using certain revenues (like student/school activities).

The District has one type of fund:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-3		
Montcalm Area Intermediate School District's Net Position		
	2020	2019
Current and other assets	\$ 15,032,492	\$ 13,918,012
Capital assets	5,098,959	4,511,116
Total assets	<u>20,131,451</u>	<u>18,429,128</u>
Deferred outflows of resources	15,238,321	15,064,544
Other liabilities	4,421,738	4,187,904
Noncurrent liabilities	876,732	1,022,358
Net pension liability	39,368,330	35,021,537
Net other postemployment benefits liability	8,597,832	9,433,795
Total liabilities	<u>53,264,632</u>	<u>49,665,594</u>
Deferred inflows of resources	6,260,281	6,206,224
Net position		
Net investment in capital assets	4,333,959	3,582,107
Unrestricted	<u>(28,489,100)</u>	<u>(25,960,253)</u>
Total net position	<u>\$ (24,155,141)</u>	<u>\$ (22,378,146)</u>

Table A-4		
Changes in Montcalm Area Intermediate School District's Net Position		
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 13,775	\$ 12,211
Operating grants and contributions	17,896,511	16,351,283
General revenues		
Property taxes	10,843,045	10,327,119
State sources - unrestricted	822,107	982,823
Other	189,114	313,940
Total revenues	<u>29,764,552</u>	<u>27,987,376</u>
Expenses		
Instruction	9,291,583	8,360,376
Support services	17,458,960	16,356,979
Community services	178,483	170,448
Interdistrict transactions	4,531,477	4,367,581
Interest on long-term debt	49,273	57,535
Student/school activities	79,532	-
Total expenses	<u>31,589,308</u>	<u>29,312,919</u>
Change in net position	<u>\$ (1,824,756)</u>	<u>\$ (1,325,543)</u>

District Governmental Activities:

The following factors have positively influenced Montcalm Area ISD’s financial status at June 30, 2020.

- The General Fund experienced in 2019-2020 an increase in fund balance of 5.9%.
- The Special Education Fund experienced in 2019-2020 a 2.9% increase in revenue.
- The Career Technical Education fund experienced in 2019-2020 a 2.7% increase in revenue.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Montcalm Area ISD completed the year with its governmental funds reporting *combined* fund balances of \$10,859,011 which is \$823,115 more than last year’s combined ending fund balance of \$10,035,896, as restated. The changes in fund balances are as follows:

	General Fund	Special Education	Career Technical Education	Capital Projects	Student/School Activities	Total Governmental Funds
Fund balance, beginning of year, as restated	\$ 1,423,606	\$ 5,001,999	\$ 1,229,295	\$ 2,333,235	\$ 47,761	\$ 10,035,896
Increase	83,493	264,315	82,747	390,762	1,798	823,115
Fund balance, end of year	<u>\$ 1,507,099</u>	<u>\$ 5,266,314</u>	<u>\$ 1,312,042</u>	<u>\$ 2,723,997</u>	<u>\$ 49,559</u>	<u>\$ 10,859,011</u>

Budget Highlights:

Over the course of the year, Montcalm Area ISD revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. Two budget amendments were made throughout the current fiscal year.

General Fund:

- The general fund actual revenues were \$6,434,787, which is more than the original budget estimate of \$5,519,259 and more than the final amended budget of \$6,338,059. The variance of \$96,728 is within 1.53% of the final budgeted amount.
- Actual general fund expenditures were \$6,736,255, which is more than the original budget estimate of \$6,204,324 and less than the final amended budget of \$6,910,802. The variance of \$174,547 is within 2.53% of the final budgeted amount.

Special Education Fund:

- The special education fund actual revenues were \$20,809,267, which is more than the original budget estimate of \$20,017,978 and less than the final amended budget of \$21,167,233. The variance of \$357,966 is within 1.69% of the final budgeted amount.
- Actual special education fund expenditures were \$19,386,101 which is less than the original budget estimate of \$19,506,721 and less than the final amended budget of \$19,916,977. The variance of \$530,876 is within 2.67% of the final budgeted amount.

Career Technical Education Fund:

- The career technical education fund actual revenues were \$2,441,330, which is less than the original budget estimate of \$2,445,505 and less than the final amended budget of \$2,457,246. The variance of \$15,916 is within 0.65% of the final budgeted amount.
- Actual career technical education fund expenditures were \$2,169,583, which is less than the original budget estimate of \$2,331,324 and less than the final amended budget of \$2,237,904. The variance of \$68,321 is within 3.05% of the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets as of June 30 are as follows:

	2020	2019
Land	\$ 140,476	\$ 110,450
Buildings and improvements	11,876,744	11,046,186
Furniture and equipment	2,721,780	2,643,332
Transportation equipment	3,558,550	3,371,431
Total	18,297,550	17,171,399
Less accumulated depreciation	13,198,591	12,660,283
Net capital assets	<u>\$ 5,098,959</u>	<u>\$ 4,511,116</u>

Debt

As of June 30, 2020, the District had \$765,000 outstanding on the Energy Conservation bonds, compared to \$918,000 outstanding at the end of the prior year. The District repaid \$153,000 of principal during fiscal year 2019-2020.

Other obligations are made up of accumulated compensated absences and a capital lease. More detailed information about these other long-term liabilities are presented in Note 5 of the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Our Board and administration considered many factors when setting the District's 2020-21 fiscal year budget. The most important factors affecting the operating budget are the economic condition of the State and new legislation. The June 30, 2021 budget was adopted based on an estimate of property tax revenue, state aid and grant funding. State law requires the School to amend the budget if actual School District resources are not sufficient to fund original appropriations. Due to the global pandemic, the State budget for the 2020-2021 fiscal year was unknown. The District used budget assumptions based upon the most recent information to build the budget.

Also, as stated above, legislative changes can greatly impact the State's School Aid fund. The actual revenue received by the District depends on the State's ability to collect revenue to fund its appropriations to public schools and intermediate school districts. Worsening economic conditions along with legislative changes have the potential to further impact state revenues. Given the fact that we are in the middle of a pandemic, many of the economic conditions are continuing the change. It is unknown exactly how school funding will be impacted for the 2020-2021 fiscal year. Further reductions in programs and services may be required to bring future expenditures in line with projected future revenues.

In addition, our Board must also consider the ever-increasing cost of employee benefits and retirement. Estimating what those costs will be for the upcoming year is always a challenge. In spite of these challenges, the District remains committed to find the most cost-effective ways to make efficient use of the resources provided while fulfilling its mission of delivering service to local districts and educational opportunities for all learners.

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, contact Kyle Hamlin, Superintendent, Montcalm Area Intermediate School District, P.O. Box 367, Stanton, Michigan 48888.

BASIC FINANCIAL STATEMENTS

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 11,145,928
Receivables	
Accounts receivable	7,668
Intergovernmental receivables	3,677,235
Inventories	73,179
Prepays	128,482
Capital assets not being depreciated	140,476
Capital assets, net of accumulated depreciation	4,958,483
TOTAL ASSETS	20,131,451
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	3,053,683
Related to pension	12,184,638
TOTAL DEFERRED OUTFLOWS OF RESOURCES	15,238,321
LIABILITIES	
Accounts payable	211,323
Accrued salaries and related items	860,721
Accrued retirement	430,627
Accrued interest	7,013
Intergovernmental payable	1,354,764
Unearned revenue	1,316,046
Noncurrent liabilities	
Due within one year	241,244
Due in more than one year	876,732
Net other postemployment benefits liability	8,597,832
Net pension liability	39,368,330
TOTAL LIABILITIES	53,264,632
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	3,366,870
Related to pension	1,571,883
Related to state aid funding for pension	1,321,528
TOTAL DEFERRED INFLOWS OF RESOURCES	6,260,281
NET POSITION	
Net investment in capital assets	4,333,959
Unrestricted	(28,489,100)
TOTAL NET POSITION	\$ (24,155,141)

See notes to financial statements.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants and Contributions	Activities Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 9,291,583	\$ -	\$ 4,812,564	\$ (4,479,019)
Support services	17,458,960	-	10,592,336	(6,866,624)
Community services	178,483	13,775	100,648	(64,060)
Interdistrict transactions	4,531,477	-	2,309,633	(2,221,844)
Student/school activities	79,532	-	81,330	1,798
Interest on long-term debt	49,273	-	-	(49,273)
Total governmental activities	<u>\$ 31,589,308</u>	<u>\$ 13,775</u>	<u>\$ 17,896,511</u>	<u>(13,679,022)</u>
General revenues				
Property taxes, levied for general purposes				437,697
Property taxes, levied for special education				8,630,567
Property taxes, levied for vocational education				1,774,781
Investment earnings				73,593
State sources - unrestricted				822,107
Gain on sale of capital assets				7,110
Other				108,411
Total general revenues				<u>11,854,266</u>
CHANGE IN NET POSITION				(1,824,756)
NET POSITION, beginning of year, as restated				<u>(22,330,385)</u>
NET POSITION, end of year				<u>\$ (24,155,141)</u>

See notes to financial statements.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	Special Education	Career Technical Education	Capital Projects Funds	Nonmajor - Student/School Activities	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,711,517	\$ 4,361,216	\$ 1,286,293	\$ 2,737,280	\$ 49,622	\$ 11,145,928
Receivables:						
Accounts receivable	7,268	400	-	-	-	7,668
Intergovernmental receivables	1,462,551	2,104,032	110,652	-	-	3,677,235
Inventories	-	-	73,179	-	-	73,179
Prepays	48,568	69,862	10,052	-	-	128,482
TOTAL ASSETS	\$ 4,229,904	\$ 6,535,510	\$ 1,480,176	\$ 2,737,280	\$ 49,622	\$ 15,032,492
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 123,778	\$ 68,879	\$ 5,320	\$ 13,283	\$ 63	\$ 211,323
Accrued salaries and related items	38,627	686,331	135,763	-	-	860,721
Accrued retirement	256,211	147,365	27,051	-	-	430,627
Intergovernmental payable	1,073,175	281,589	-	-	-	1,354,764
Unearned revenue	1,231,014	85,032	-	-	-	1,316,046
TOTAL LIABILITIES	2,722,805	1,269,196	168,134	13,283	63	4,173,481

See notes to financial statements.

	General Fund	Special Education	Vocational Education	Capital Projects Funds	Nonmajor - Student/School Activities	Total Governmental Funds
FUND BALANCES						
Nonspendable						
Inventories	\$ -	\$ -	\$ 73,179	\$ -	\$ -	\$ 73,179
Prepays	48,568	69,862	10,052	-	-	128,482
Restricted for:						
Special education	-	5,196,452	-	-	-	5,196,452
Career technical education	-	-	1,228,811	-	-	1,228,811
Committed for student/school activities	-	-	-	-	49,559	49,559
Assigned for:						
Capital projects	-	-	-	2,723,997	-	2,723,997
Subsequent year's expenditures	33,346	-	-	-	-	33,346
Unassigned						
General fund	1,425,185	-	-	-	-	1,425,185
TOTAL FUND BALANCES	<u>1,507,099</u>	<u>5,266,314</u>	<u>1,312,042</u>	<u>2,723,997</u>	<u>49,559</u>	<u>10,859,011</u>
LIABILITIES AND FUND BALANCES	<u>\$ 4,229,904</u>	<u>\$ 6,535,510</u>	<u>\$ 1,480,176</u>	<u>\$ 2,737,280</u>	<u>\$ 49,622</u>	<u>\$ 15,032,492</u>
Total governmental fund balances						\$ 10,859,011
Amounts reported for governmental activities in the statement of net position are different because:						
Deferred outflows of resources - related to pension				\$ 12,184,638		
Deferred outflows of resources - related to other postemployment benefits				3,053,683		
Deferred inflows of resources - related to pension				(1,571,883)		
Deferred inflows of resources - related to other postemployment benefits				(3,366,870)		
Deferred inflows of resources - related to state funding for pension				(1,321,528)		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:						8,978,040
The cost of the capital assets is				18,297,550		
Accumulated depreciation is				(13,198,591)		
Long-term obligations are not due and payable in the current period and are not reported in the funds:						5,098,959
Notes from direct borrowings and direct placements						(765,000)
Compensated absences						(352,976)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid						(7,013)
Net other postemployment benefit liability						(8,597,832)
Net pension liability						(39,368,330)
Net position of governmental activities						<u><u>\$ (24,155,141)</u></u>

See notes to financial statements.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

	General Fund	Special Education	Career Technical Education	Capital Projects Funds	Nonmajor - Student/School Activities	Total Governmental Funds
REVENUES						
Local sources	\$ 780,805	\$ 10,629,724	\$ 1,831,059	\$ -	\$ 81,330	\$ 13,322,918
State sources	4,692,016	6,361,910	369,004	-	-	11,422,930
Federal sources	82,772	3,728,704	193,267	-	-	4,004,743
Interdistrict sources	879,194	88,929	48,000	-	-	1,016,123
TOTAL REVENUES	6,434,787	20,809,267	2,441,330	-	81,330	29,766,714
EXPENDITURES						
Current						
Instruction	839,216	5,852,272	1,172,129	-	-	7,863,617
Supporting services	3,090,458	10,781,743	921,325	-	-	14,793,526
Community services	124,786	36,831	-	-	-	161,617
Interdistrict transactions	2,221,494	2,309,983	-	-	-	4,531,477
Student/school activity expenses	-	-	-	-	79,532	79,532
Capital outlay	429,335	297,866	-	579,238	-	1,306,439
Debt service:						
Principal	23,910	82,586	57,513	-	-	164,009
Interest and fiscal charges	7,056	24,820	18,616	-	-	50,492
TOTAL EXPENDITURES	6,736,255	19,386,101	2,169,583	579,238	79,532	28,950,709
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(301,468)	1,423,166	271,747	(579,238)	1,798	816,005
OTHER FINANCING SOURCES (USES)						
Transfers in	584,961	-	-	970,000	-	1,554,961
Transfers out	(200,000)	(1,165,961)	(189,000)	-	-	(1,554,961)
Proceeds from sale of capital assets	-	7,110	-	-	-	7,110
TOTAL OTHER FINANCING SOURCES (USES)	384,961	(1,158,851)	(189,000)	970,000	-	7,110
NET CHANGE IN FUND BALANCES	83,493	264,315	82,747	390,762	1,798	823,115
FUND BALANCES						
Beginning of year, as restated	1,423,606	5,001,999	1,229,295	2,333,235	47,761	10,035,896
End of year	\$ 1,507,099	\$ 5,266,314	\$ 1,312,042	\$ 2,723,997	\$ 49,559	\$ 10,859,011

See notes to financial statements.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net change in fund balances total governmental funds	\$ 823,115
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(707,949)
Capital outlay	1,295,792
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	8,232
Accrued interest payable, end of the year	(7,013)
The issuance of long-term obligations (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on obligations	164,009
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Compensated absences, beginning of the year	343,144
Compensated absences, end of the year	(352,976)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Other postemployment benefits related items	516,119
Pension related items	(3,897,957)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
Pension related items, beginning of year	1,312,256
Pension related items, end of year	<u>(1,321,528)</u>
Change in net position of governmental activities	<u><u>\$ (1,824,756)</u></u>

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. *Governmental activities* normally are supported by taxes, and intergovernmental revenues.

Reporting Entity

Montcalm Area Intermediate School District (the "District") is governed by the Montcalm Area Intermediate School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *special education fund* is the District's fund for those activities involved in operating the programs necessary to provide for the education of students identified as needing special education services. The fund's revenue sources include property taxes, federal and state sources, and inter-governmental reimbursements.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The *career technical education fund* is the District's fund for those activities involved in operating the career and technical programs of the District. The fund's revenue sources include property taxes, federal and state sources, and inter-governmental reimbursements.

The *capital projects fund* is used to record other revenue and transfers from other funds and the acquisition of capital assets or construction of major capital projects.

Other Nonmajor Funds

The *special revenue funds* accounts for revenue sources that are legally restricted or committed, to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its student/school activities in the nonmajor special revenue fund.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

Budgetary basis of accounting.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, special education fund, career technical education fund, and student/school activities fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary basis of accounting (continued).

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2020. The District does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

1. In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:
 - a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Investments (continued)

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance(continued)

Capital Assets

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

Land and construction in progress if any are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20 - 50
Furniture and equipment	3 - 30
Transportation equipment	7

Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public 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.

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance(continued)

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

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

For the year ended June 30, 2020, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
General education	0.1742
Special revenue funds	
Special education	3.4994
Career technical education	1.3384

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-term Obligations

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2020, the District had deposits and investments subject to the following risk:

Custodial credit risk - 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, 2020, \$10,350,986 of the District's bank balance of \$10,600,986 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$9,653,607.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

Interest rate risk. In accordance with its investment policy, 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.

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment pool - Max	\$ 1,492,321	N/A

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment pool - Max	\$ 1,492,321	AAAm	Standard & Poor's

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

The District does not have any investments subject to the fair value measurement.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment pool - Max	<u>\$ 1,492,321</u>

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The carrying amount of cash and cash equivalents and investments are as follows:

Cash and cash equivalents	\$ 9,653,607
Investments	<u>1,492,321</u>
	<u><u>\$ 11,145,928</u></u>

The cash and cash equivalents and investments referred to above have been reported in cash and cash equivalents on the financial statements, based upon criteria disclosed in Note 1.

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 110,450	\$ 30,026	\$ -	\$ 140,476
Total assets not being depreciated	<u>110,450</u>	<u>30,026</u>	<u>-</u>	<u>140,476</u>
Capital assets, being depreciated:				
Buildings and improvements	11,046,186	830,558	-	11,876,744
Furniture and equipment	2,643,332	78,448	-	2,721,780
Transportation equipment	3,371,431	356,760	169,641	3,558,550
Total capital assets, being depreciated	<u>17,060,949</u>	<u>1,265,766</u>	<u>169,641</u>	<u>18,157,074</u>
Accumulated depreciation:				
Buildings and improvements	8,226,129	310,344	-	8,536,473
Furniture and equipment	2,175,653	81,830	-	2,257,483
Transportation equipment	2,258,501	315,775	169,641	2,404,635
Total accumulated depreciation	<u>12,660,283</u>	<u>707,949</u>	<u>169,641</u>	<u>13,198,591</u>
Net capital assets being depreciated	<u>4,400,666</u>	<u>557,817</u>	<u>-</u>	<u>4,958,483</u>
Net governmental capital assets	<u><u>\$ 4,511,116</u></u>	<u><u>\$ 587,843</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,098,959</u></u>

Depreciation expense was charged to programs of the District as follows:

Governmental activities	
Instruction	\$ 233,623
Support services	467,246
Community services	7,080
	<u>707,949</u>
	<u><u>\$ 707,949</u></u>

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governmental units at June 30, 2020 consist of the following:

Other governmental units		
State aid	\$	2,062,752
Federal grants		1,186,598
Other		427,885
		427,885
	\$	3,677,235

No allowance for doubtful accounts is considered necessary.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2020:

	Compensated Absences	Notes from Direct Borrowings and Direct Placements	Total
Balance, July 1, 2019	\$ 343,144	\$ 929,009	\$ 1,272,153
Additions	9,832	-	9,832
Deletions	-	164,009	164,009
Balance, June 30, 2020	352,976	765,000	1,117,976
Due within one year	88,244	153,000	241,244
Due in more than one year	\$ 264,732	\$ 612,000	\$ 876,732

Long-term obligations at June 30, 2020 are comprised of the following:

Notes from direct borrowings and direct placements:

2010 Energy Conservation Bond due in annual installments of \$153,000 through May 1, 2025, interest at 5.50%.	\$ 765,000
Compensated absences	352,976
Total general long-term obligations	\$ 1,117,976

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$765,000 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirement to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2020, are as follows:

Year Ending June 30,	Notes from Direct Borrowings and Direct Placements				Compensated Absences	Total
	Principal	Interest	Interest Subsidy	Net Interest		
2021	\$ 153,000	\$ 42,075	\$ (41,539)	\$ 536	\$ -	\$ 153,536
2022	153,000	33,660	(33,231)	429	-	153,429
2023	153,000	25,245	(24,923)	322	-	153,322
2024	153,000	16,830	(16,616)	214	-	153,214
2025	153,000	8,415	(8,308)	107	-	153,107
	765,000	126,225	(124,617)	1,608	-	766,608
Compensated absences	-	-	-	-	352,976	352,976
	<u>\$ 765,000</u>	<u>\$ 126,225</u>	<u>\$ (124,617)</u>	<u>\$ 1,608</u>	<u>\$ 352,976</u>	<u>\$ 1,119,584</u>

Interest expense for the year ended June 30, 2020 was approximately \$50,500.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/ors schools.

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

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 continued

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transient date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (No Reduction Factor for Age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefits
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Total pension contributions were approximately \$3,310,000. Of the total pension contributions, approximately \$3,255,000 was contributed to fund the Defined Benefit Plan and approximately \$55,000 was contributed to fund the Defined Contribution Plan.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. Total OPEB contributions were approximately \$970,000. Of the total OPEB contributions, approximately \$913,000 was contributed to fund the Defined Benefit Plan and approximately \$57,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total pension liability	\$ 83,442,507,212	\$ 79,863,694,444
Plan fiduciary net position	\$ 50,325,869,388	\$ 49,801,889,205
Net pension liability	\$ 33,116,637,824	\$ 30,061,805,239
Proportionate share	0.11888%	0.11650%
Net pension liability for the District	\$ 39,368,330	\$ 35,021,537

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2020, the District recognized pension expense of \$7,152,992.

At June 30, 2020, the Reporting Unit 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
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 1,376,040	\$ (146,033)
Differences between expected and actual experience	176,461	(164,162)
Changes of assumptions	7,708,347	-
Net difference between projected and actual plan investments earnings	-	(1,261,688)
Reporting Unit's contributions subsequent to the measurement date	2,923,790	-
	\$ 12,184,638	\$ (1,571,883)

\$2,923,790, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Amount
2020	\$ 3,161,001
2021	2,428,790
2022	1,513,658
2023	585,516

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total other postemployment benefits liability	\$ 13,925,860,688	\$ 13,932,170,264
Plan fiduciary net position	\$ 6,748,112,668	\$ 5,983,218,473
Net other postemployment benefits liability	\$ 7,177,748,020	\$ 7,948,951,791
Proportionate share	0.11978%	0.11868%
Net other postemployment benefits liability for the District	\$ 8,597,832	\$ 9,433,795

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$397,261.

At June 30, 2020, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 420,045	\$ (62,562)
Differences between expected and actual experience	-	(3,154,788)
Changes of assumptions	1,862,976	-
Net difference between projected and actual plan investments earnings	-	(149,520)
Reporting Unit's contributions subsequent to the measurement date	770,662	-
	<u>\$ 3,053,683</u>	<u>\$ (3,366,870)</u>

\$770,662, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	Amount
2020	\$ (302,898)
2021	(302,898)
2022	(229,715)
2023	(149,203)
2024	(99,135)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

Investment Rate of Return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75%.

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2018. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - 7.5% for year one and graded to 3.5% in year twelve.

Additional Assumptions for Other Postemployment Benefit Only - Applies to individuals hired before September 4, 2012:

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

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

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

The target asset allocation at September 30, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.5%
Private Equity Pools	18.0%	8.6%
International Equity Pools	16.0%	7.3%
Fixed Income Pools	10.5%	1.2%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.4%
Short Term Investment Pools	2.0%	0.8%
	<u>100.0%</u>	

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

Rate of Return - For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	<u>\$ 51,181,348</u>	<u>\$ 39,368,330</u>	<u>\$ 29,574,932</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	<u>\$ 10,546,533</u>	<u>\$ 8,597,832</u>	<u>\$ 6,961,465</u>

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 6,892,090	\$ 8,597,832

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2019 Comprehensive Annual Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 7 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments 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 that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RISK MANAGEMENT (continued)

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2020 or any of the prior 3 years.

NOTE 9 - TRANSFERS

The special education fund transferred \$465,961 and the career technical education fund transferred \$119,000 to the general fund for indirect cost reimbursements. The general fund transferred \$200,000, the special education fund transferred \$700,000, and the career technical education fund transferred \$70,000 to the capital projects funds for capital asset purchases.

NOTE 10 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

The property taxes abated for all funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes abated</u>
City of Greenville	\$ 44,349
Broomfield Township	941
	<u>\$ 45,290</u>

The District is considered to be an “in-formula” district. The property tax revenue that is abated for the career technical education millage is considered when the State of Michigan determines the District’s funding under section 62 of the State School Aid Act.

There are no abatements made by the District.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2020, the District implemented the following new pronouncement: GASB Statement No. 84, *Fiduciary Activities*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

The restatement of the beginning of the year fund balances and net position is as follows:

	Fund Balances	
	Student/School Activity Fund	Total Governmental Funds
Fund balances as of July 1, 2019, as previously stated	\$ -	\$ 9,988,135
Adoption of GASB Statement 84	47,761	47,761
Fund balances as of July 1, 2019, as restated	\$ 47,761	\$ 10,035,896
		Net Position
		Governmental Activities
Net position as of July 1, 2019, as previously stated		\$ (22,378,146)
Adoption of GASB Statement 84		47,761
Net position as of July 1, 2019, as restated		\$ (22,330,385)

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 913,591	\$ 826,117	\$ 780,805	\$ (45,312)
State sources	3,764,481	4,547,087	4,692,016	144,929
Federal sources	59,800	82,836	82,772	(64)
Interdistrict sources	781,387	882,019	879,194	(2,825)
TOTAL REVENUES	<u>5,519,259</u>	<u>6,338,059</u>	<u>6,434,787</u>	<u>96,728</u>
EXPENDITURES				
Current				
Instruction				
Basic programs	771,984	840,265	838,748	1,517
Added needs	1,703	10,364	468	9,896
Total instruction	<u>773,687</u>	<u>850,629</u>	<u>839,216</u>	<u>11,413</u>
Supporting services				
Pupil	132,445	236,291	168,589	67,702
Instructional staff	866,306	799,424	778,919	20,505
General administration	448,851	368,085	364,070	4,015
Business	841,191	954,718	935,416	19,302
Operation and maintenance	296,342	328,793	324,141	4,652
Pupil transportation	3,305	5,833	1,344	4,489
Central services	543,214	534,025	515,416	18,609
Other services	1,606	3,990	2,563	1,427
Total supporting services	<u>3,133,260</u>	<u>3,231,159</u>	<u>3,090,458</u>	<u>140,701</u>
Community services	118,969	148,124	124,786	23,338
Interdistrict transactions	2,134,628	2,220,295	2,221,494	(1,199)
Capital outlay	7,450	429,509	429,335	174
Debt service				
Principal	24,530	24,030	23,910	120
Interest and fiscal charges	11,800	7,056	7,056	-
Total debt service	<u>36,330</u>	<u>31,086</u>	<u>30,966</u>	<u>120</u>
TOTAL EXPENDITURES	<u>6,204,324</u>	<u>6,910,802</u>	<u>6,736,255</u>	<u>174,547</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(685,065)</u>	<u>(572,743)</u>	<u>(301,468)</u>	<u>271,275</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	600,288	592,009	584,961	(7,048)
Transfers out	(100,000)	(200,000)	(200,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>500,288</u>	<u>392,009</u>	<u>384,961</u>	<u>(7,048)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (184,777)</u>	<u>\$ (180,734)</u>	83,493	<u>\$ 264,227</u>
FUND BALANCE				
Beginning of year			<u>1,423,606</u>	
End of year			<u>\$ 1,507,099</u>	

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local sources	\$ 10,163,500	\$ 10,801,418	\$ 10,629,724	\$ (171,694)
State sources	6,275,936	6,573,084	6,361,910	(211,174)
Federal sources	3,468,702	3,722,705	3,728,704	5,999
Interdistrict sources	109,840	70,026	88,929	18,903
TOTAL REVENUES	<u>20,017,978</u>	<u>21,167,233</u>	<u>20,809,267</u>	<u>(357,966)</u>
EXPENDITURES				
Current				
Instruction				
Added needs	6,172,751	5,888,615	5,852,272	36,343
Supporting services				
Pupil	6,410,637	6,684,958	6,435,070	249,888
Instructional staff	1,758,270	1,702,546	1,645,608	56,938
General administration	36,000	22,000	21,959	41
Business	10,050	5,600	5,193	407
Operation and maintenance	538,236	541,185	506,497	34,688
Pupil transportation	2,183,360	2,111,329	1,993,668	117,661
Central services	179,018	172,606	173,748	(1,142)
Total supporting services	<u>11,115,571</u>	<u>11,240,224</u>	<u>10,781,743</u>	<u>458,481</u>
Community services	51,895	66,144	36,831	29,313
Interdistrict transactions	1,784,659	2,317,276	2,309,983	7,293
Capital outlay	281,475	297,320	297,866	(546)
Debt service				
Principal	82,370	82,578	82,586	(8)
Interest and fiscal charges	18,000	24,820	24,820	-
Total debt service	<u>100,370</u>	<u>107,398</u>	<u>107,406</u>	<u>(8)</u>
TOTAL EXPENDITURES	<u>19,506,721</u>	<u>19,916,977</u>	<u>19,386,101</u>	<u>530,876</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>511,257</u>	<u>1,250,256</u>	<u>1,423,166</u>	<u>172,910</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(735,704)	(1,173,009)	(1,165,961)	7,048
Sale of capital assets	-	7,110	7,110	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(735,704)</u>	<u>(1,165,899)</u>	<u>(1,158,851)</u>	<u>7,048</u>
NET CHANGE IN FUND BALANCE	<u>\$ (224,447)</u>	<u>\$ 84,357</u>	264,315	<u>\$ 179,958</u>
FUND BALANCE				
Beginning of year			5,001,999	
End of year			<u>\$ 5,266,314</u>	

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAREER TECHNICAL EDUCATION FUND
YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 1,805,901	\$ 1,816,414	\$ 1,831,059	\$ 14,645
State sources	397,890	397,018	369,004	(28,014)
Federal sources	191,714	193,814	193,267	(547)
Interdistrict sources	50,000	50,000	48,000	(2,000)
TOTAL REVENUES	<u>2,445,505</u>	<u>2,457,246</u>	<u>2,441,330</u>	<u>(15,916)</u>
EXPENDITURES				
Current				
Instruction				
Added needs	<u>1,168,648</u>	<u>1,188,285</u>	<u>1,172,129</u>	<u>16,156</u>
Supporting services				
Pupil	122,446	117,149	114,704	2,445
Instructional staff	209,594	173,759	162,231	11,528
General administration	5,000	5,000	4,778	222
School administration	172,436	121,659	111,476	10,183
Business	1,700	788	786	2
Operation and maintenance	429,501	421,582	393,516	28,066
Central services	<u>142,289</u>	<u>133,552</u>	<u>133,834</u>	<u>(282)</u>
Total supporting services	<u>1,082,966</u>	<u>973,489</u>	<u>921,325</u>	<u>52,164</u>
Debt service				
Principal	57,710	57,513	57,513	-
Interest and fiscal charges	<u>22,000</u>	<u>18,617</u>	<u>18,616</u>	<u>1</u>
Total debt service	<u>79,710</u>	<u>76,130</u>	<u>76,129</u>	<u>1</u>
TOTAL EXPENDITURES	<u>2,331,324</u>	<u>2,237,904</u>	<u>2,169,583</u>	<u>68,321</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>114,181</u>	<u>219,342</u>	<u>271,747</u>	<u>52,405</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(119,000)</u>	<u>(189,000)</u>	<u>(189,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (4,819)</u>	<u>\$ 30,342</u>	<u>82,747</u>	<u>\$ 52,405</u>
FUND BALANCE				
Beginning of year			<u>1,229,295</u>	
End of year			<u>\$ 1,312,042</u>	

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
 LAST 4 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.11888%	0.11650%	0.11321%	0.10858%	0.10596%	0.09981%
Reporting Unit's proportionate share of net pension liability	\$ 39,368,330	\$ 35,021,537	\$ 29,337,003	\$ 27,088,627	\$ 25,881,625	\$ 21,112,641
Reporting Unit's covered-employee payroll	\$ 10,504,526	\$ 10,083,682	\$ 9,588,168	\$ 9,275,677	\$ 8,860,916	\$ 8,209,911
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	374.77%	347.31%	305.97%	292.04%	292.09%	257.16%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
 MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
 LAST 4 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 3,255,035	\$ 3,120,119	\$ 3,066,941	\$ 2,626,416	\$ 2,487,644	\$ 2,070,127
Contributions in relation to statutorily required contributions	3,255,035	3,120,119	3,066,941	2,626,416	2,487,644	2,070,127
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting Unit's covered-employee payroll	\$ 10,703,285	\$ 10,505,068	\$ 9,869,872	\$ 9,567,564	\$ 9,162,777	\$ 8,764,641
Contributions as a percentage of covered-employee payroll	30.41%	29.70%	31.07%	27.45%	27.15%	23.62%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST FISCAL YEAR (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.11978%	0.11868%	0.11304%
Reporting unit's proportionate share of net OPEB liability	\$ 8,597,832	\$ 9,433,795	\$ 10,010,278
Reporting Unit's covered-employee payroll	\$ 10,504,526	\$ 10,083,682	\$ 9,588,168
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	81.85%	93.56%	104.40%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST FISCAL YEAR (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 913,380	\$ 862,647	\$ 874,320
Contributions in relation to statutorily required contributions	<u>913,380</u>	<u>862,647</u>	<u>874,320</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 10,703,285	\$ 10,505,068	\$ 9,869,872
Contributions as a percentage of covered-employee payroll	8.53%	8.21%	8.86%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

NOTE 1 - PENSION INFORMATION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

NOTE 2 - OPEB INFORMATION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for decreased to 6.95% from 7.15%.

Healthcare cost trend rate increased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50% Year 1 graded to 3.00% Year 12.

ADDITIONAL SUPPLEMENTARY INFORMATION

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Program Title	Federal CFDA Number	Award Amount	Accrued Revenue 7/1/2019	Prior Year Expenditures (Memo Only)	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued Revenue 6/30/2020	Current Year Cash Transferred to Subrecipient
U.S. Department of Education								
Passed through Michigan Department of Education								
Special Education Cluster								
Special Education Grants to States								
180450-1718	84.027	\$ 2,925,413	\$ 15,384	\$ 105,629	\$ 15,384	\$ -	\$ -	\$ -
190450-1819	84.027	3,076,510	647,314	3,060,420	647,314	16,090	16,090	-
200450-1920	84.027	3,275,935	-	-	2,274,563	3,262,627	988,064	5,056
190493 CSG	84.027	118,800	27,422	118,800	27,422	-	-	-
200493 CSG	84.027	118,800	-	-	111,348	118,800	7,452	-
Total CFDA# 84.027		9,515,458	690,120	3,284,849	3,076,031	3,397,517	1,011,606	5,056
Special Education Preschool Grants								
190460-1819	84.173	100,405	60,668	100,404	60,668	-	-	-
200460-1920	84.173	104,601	-	-	17,542	104,601	87,059	83,330
Total CFDA# 84.173		205,006	60,668	100,404	78,210	104,601	87,059	83,330
Total Special Education Cluster		9,720,464	750,788	3,385,253	3,154,241	3,502,118	1,098,665	88,386
Special Education - Grants for Infants and Families								
191340-1819	84.181	109,899	19,178	109,873	19,204	26	-	-
201340-1920	84.181	110,400	-	-	110,400	110,400	-	-
Total CFDA# 84.181		220,299	19,178	109,873	129,604	110,426	-	-
Education for Homeless Children and Youth								
192320-1819	84.196	86,300	16,153	31,562	25,590	9,437	-	-
202320-1920	84.196	65,774	-	-	11,709	42,376	30,667	-
Total CFDA# 84.196		152,074	16,153	31,562	37,299	51,813	30,667	-
Passed through Gratiot-Isabella RESD								
Career and Technical Education - Basic Grants to States								
193520-191210	84.048	185,488	53,965	185,488	53,965	-	-	-
203520-201210	84.048	176,547	-	-	118,734	176,000	57,266	-
Total CFDA# 84.048		362,035	53,965	185,488	172,699	176,000	57,266	-
Total U.S. Department of Education		10,454,872	840,084	3,712,176	3,493,843	3,840,357	1,186,598	88,386
U.S. Department of Health and Human Services								
Passed through Michigan Department of Community Health								
Medicaid Cluster								
Medical Assistance Program								
93.778		93,140	-	-	93,140	93,140	-	-
Passed through Michigan Department of Education								
PDG B-5 Trusted Advisors Grant								
1939101920	93.434	24,415	-	-	24,415	24,415	-	-
Total U.S. Department of Health and Human Services		117,555	-	-	117,555	117,555	-	-
Total Federal Awards		\$ 10,572,427	\$ 840,084	\$ 3,712,176	\$ 3,611,398	\$ 3,957,912	\$ 1,186,598	\$ 88,386

The accompanying notes are an integral part of this schedule.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PASS-THROUGH AMOUNTS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Program Title/Subrecipient Name	Grant/Project Number	Federal CFDA Number	Award Amount	Due to Subrecipient 7/1/2019	Subrecipient Current Year Expenditures	Cash Transferred to Subrecipient	Current Year	Due to Subrecipient 6/30/2020
U.S. Department of Education								
Passed through Michigan Department of Education								
Special Education Grants to States:								
Success Virtual	200450-1920	84.027	\$ 5,056	\$ -	\$ 5,056	\$ -	\$ -	\$ 5,056
Special Education Preschool Grants								
Greenville Public Schools	190460-1819	84.173	50,492	50,492	-	50,492	-	-
Greenville Public Schools	200460-1920	84.173	56,045	-	56,045	-	-	56,045
Tri County Area Schools	190460-1819	84.173	23,167	10,176	-	10,176	-	-
Tri County Area Schools	200460-1920	84.173	27,285	-	27,285	-	-	27,285
Total Special Education Preschool Grants			156,989	60,668	83,330	60,668	60,668	83,330
Total Special Education Cluster			\$ 162,045	\$ 60,668	\$ 88,386	\$ 60,668	\$ 60,668	\$ 88,386

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

1. Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Montcalm Area Intermediate School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Montcalm Area Intermediate School District, it is not intended to and does not present the financial position or changes in net position of Montcalm Area Intermediate School District.
2. Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Montcalm Area Intermediate School District has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
4. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$	82,772
Special education fund		3,728,704
Career technical education fund		193,267
		4,004,743
Federal revenue per financial statements		4,004,743
Less federal QZAB interest subsidy		(46,831)
Total federal expenditures	\$	3,957,912

5. Subrecipients - Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, Montcalm Area Intermediate School District provided federal awards to subrecipients reported in the schedule of pass-through amounts.

**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
Montcalm Area Intermediate School District

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montcalm Area Intermediate School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Montcalm Area Intermediate School District's basic financial statements and have issued our report thereon dated September 23, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

September 23, 2020

**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
Montcalm Area Intermediate School District

Report on Compliance for Each Major Federal Program

We have audited Montcalm Area Intermediate School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Montcalm Area Intermediate School District's major federal programs for the year ended June 30, 2020. Montcalm Area Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Montcalm Area Intermediate School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 Montcalm Area Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Montcalm Area Intermediate School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Montcalm Area Intermediate School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Maney Costeiran PC

September 23, 2020

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

- | | | | |
|---|-----------|---------|---------------|
| ➤ Material weakness(es) identified: | _____ Yes | _____ X | No |
| ➤ Significant deficiency(ies) identified? | _____ Yes | _____ X | 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 with Title 2 CFR Section 200.516(a)?

_____ Yes _____ X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education 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

None

Section III - Federal Award Findings and Questioned Costs

None

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no audit findings in the prior two years.

September 23, 2020

To the Board of Education
Montcalm Area Intermediate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montcalm Area Intermediate School District for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Montcalm Area Intermediate School District are described in Note 1 to the financial statements. During fiscal year 2020, the District implemented Governmental Accounting Standard No. 84, *Fiduciary Activities*. The application of existing policies was not changed during fiscal year 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability:

We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management’s estimate in calculating the liability for employee compensated absences:

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 23, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Montcalm Area Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC