

**MONTCALM AREA INTERMEDIATE
SCHOOL DISTRICT**

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

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Montcalm Area Intermediate School District

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise Montcalm Area Intermediate School District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montcalm Area Intermediate School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montcalm Area Intermediate School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Montcalm Area Intermediate School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montcalm Area Intermediate School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022 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

October 12, 2022

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, 2022. 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.

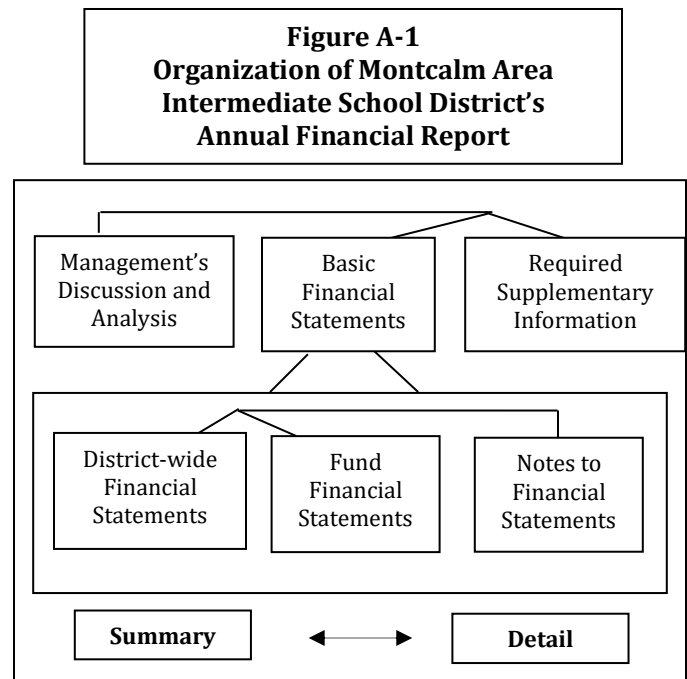
FINANCIAL HIGHLIGHTS

- Total **General Education fund** revenues and other financing sources were \$9.49 million and expenditures and other financing uses were \$9.40 million. At June 30, 2022, the fund balance in the general fund was \$1,655,559. This is an increase of \$83,459 from the 2020-2021 fiscal year.
- Total **Special Education fund** revenues and other financing sources were \$22.36 million and expenditures and other financing uses were \$21.12 million. At June 30, 2022, the fund balance in the special education fund was \$7,881,430. This is an increase of \$1,237,434 from the 2020-2021 fiscal year.
- Total **Career Technical Education fund** revenues were \$3.03 million and expenditures and other financing uses were \$2.85 million. At June 30, 2022, the fund balance in the career technical education fund was \$1,608,814. This is an increase of \$173,141 from the 2020-2021 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.



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		
	2022	2021
Current and other assets	\$ 20,242,607	\$ 18,604,537
Capital assets	5,550,380	5,072,699
Total assets	25,792,987	23,677,236
Deferred outflows of resources	9,824,785	13,532,127
Other liabilities	5,921,042	5,796,601
Noncurrent liabilities	710,618	890,200
Net pension liability	29,179,761	41,680,682
Net other postemployment benefits liability	1,897,719	6,576,579
Total liabilities	37,709,140	54,944,062
Deferred inflows of resources	18,784,886	6,823,837
Net position		
Net investment in capital assets	4,973,316	4,305,350
Unrestricted	(25,849,570)	(28,863,886)
Total net position	\$ (20,876,254)	\$ (24,558,536)

Table A-4		
Changes in Montcalm Area Intermediate School District's Net Position		
	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 28,191	\$ 18,359
Operating grants and contributions	20,812,482	17,906,949
General revenues		
Property taxes	12,044,126	11,223,293
State sources - unrestricted	868,901	2,045,160
Other	271,382	276,576
Total revenues	34,025,082	31,470,337
Expenses		
Instruction	8,347,111	9,419,161
Support services	16,195,667	17,450,976
Community services	357,171	260,489
Interdistrict transactions	5,301,480	4,579,288
Interest on long-term debt	32,259	40,672
Student/school activities	109,112	123,146
Total expenses	30,342,800	31,873,732
Change in net position	\$ 3,682,282	\$ (403,395)

District Governmental Activities:

The following factors have positively influenced Montcalm Area ISD’s financial status at June 30, 2022.

- The General Fund experienced an increase in fund balance of \$83,459.
- The Special Education Fund experienced in 2021-2022 a 1.7% increase in revenue.
- The Career Technical Education fund experienced in 2021-2022 a 12.1% 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 \$14,624,004 which is \$1,515,794 more than last year’s combined ending fund balance of \$13,108,210. The changes in fund balances are as follows:

	<u>General Fund</u>	<u>Special Education</u>	<u>Career Technical Education</u>	<u>Capital Projects</u>	<u>Student/School Activities</u>	<u>Total Governmental Funds</u>
Fund balance, beginning of year	\$ 1,572,100	\$ 6,643,996	\$ 1,435,673	\$ 3,363,513	\$ 92,928	\$ 13,108,210
Increase (decrease)	<u>83,459</u>	<u>1,237,434</u>	<u>173,141</u>	<u>23,186</u>	<u>(1,426)</u>	<u>1,515,794</u>
Fund balance, end of year	<u>\$ 1,655,559</u>	<u>\$ 7,881,430</u>	<u>\$ 1,608,814</u>	<u>\$ 3,386,699</u>	<u>\$ 91,502</u>	<u>\$ 14,624,004</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 \$8,775,088, which is more than the original budget estimate of \$7,255,741 and less than the final amended budget of \$9,355,722. The variance of \$580,634 is within 6.21% of the final budgeted amount.
- Actual general fund expenditures were \$9,402,275, which is more than the original budget estimate of \$7,879,673 and less than the final amended budget of \$10,066,232. The variance of \$663,957 is within 6.60% of the final budgeted amount.

Special Education Fund:

- The special education fund actual revenues were \$22,315,238, which is more than the original budget estimate of \$21,757,502 and less than the final amended budget of \$23,426,488. The variance of \$1,111,250 is within 4.74% of the final budgeted amount.
- Actual special education fund expenditures were \$19,754,033 which is less than the original budget estimate of \$20,911,681 and less than the final amended budget of \$21,466,269. The variance of \$1,712,236 is within 7.98% of the final budgeted amount.

Career Technical Education Fund:

- The career technical education fund actual revenues were \$3,026,997, which is more than the original budget estimate of \$2,784,192 and less than the final amended budget of \$3,051,810. The variance of \$24,813 is less than 1% of the final budgeted amount.
- Actual career technical education fund expenditures were \$2,673,856, which is more than the original budget estimate of \$2,555,192 and less than the final amended budget of \$2,756,353. The variance of \$82,497 is within 3.00% of the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	2022	2021
Land	\$ 140,476	\$ 140,476
Buildings and improvements	12,715,553	11,986,763
Furniture and equipment	2,196,175	2,002,313
Transportation equipment	3,725,518	3,704,244
Total	18,777,722	17,833,796
Less accumulated depreciation	13,227,342	12,761,097
Net capital assets	<u>\$ 5,550,380</u>	<u>\$ 5,072,699</u>

Debt

As of June 30, 2022, the District had \$459,000 outstanding on the Energy Conservation bonds, compared to \$612,000 outstanding at the end of the prior year. The District repaid \$153,000 of principal during fiscal year 2021-2022.

Other obligations are made up of accumulated compensated absences and a financing purchase. 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 2021-2022 fiscal year budget. The most important factors affecting the operating budget are the economic condition of the State and new legislation. The 2022-2023 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. 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. School funding appears to be favorable for the 2022-2023 fiscal year.

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. Despite 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, 2022**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 15,580,488
Receivables	
Accounts receivable	5,975
Intergovernmental receivables	4,340,556
Inventories	59,788
Prepays	255,800
Capital assets not being depreciated	140,476
Capital assets, net of accumulated depreciation	5,409,904
TOTAL ASSETS	25,792,987
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	2,824,976
Related to pension	6,999,809
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,824,785
LIABILITIES	
Accounts payable	316,889
Accrued salaries and related items	848,864
Accrued retirement	716,002
Accrued interest	4,208
Intergovernmental payable	1,777,471
Unearned revenue	1,959,377
Noncurrent liabilities	
Due within one year	298,231
Due in more than one year	710,618
Net other postemployment benefits liability	1,897,719
Net pension liability	29,179,761
TOTAL LIABILITIES	37,709,140
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	7,161,121
Related to pension	9,749,056
Related to state aid funding for pension	1,874,709
TOTAL DEFERRED INFLOWS OF RESOURCES	18,784,886
NET POSITION	
Net investment in capital assets	4,973,316
Unrestricted	(25,849,570)
TOTAL NET POSITION	\$ (20,876,254)

See notes to financial statements.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 8,347,111	\$ -	\$ 6,206,635	\$ (2,140,476)
Support services	16,195,667	-	12,032,791	(4,162,876)
Community services	357,171	28,191	265,615	(63,365)
Interdistrict transactions	5,301,480	-	2,199,755	(3,101,725)
Student/school activities	109,112	-	107,686	(1,426)
Interest on long-term debt	32,259	-	-	(32,259)
Total governmental activities	<u>\$ 30,342,800</u>	<u>\$ 28,191</u>	<u>\$ 20,812,482</u>	<u>(9,502,127)</u>
General revenues				
Property taxes, levied for general purposes				475,498
Property taxes, levied for special education				9,556,201
Property taxes, levied for career technical education				2,012,427
Investment earnings				4,228
State sources - unrestricted				868,901
Other				267,154
Total general revenues				<u>13,184,409</u>
CHANGE IN NET POSITION				3,682,282
NET POSITION, beginning of year				<u>(24,558,536)</u>
NET POSITION, end of year				<u>\$ (20,876,254)</u>

See notes to financial statements.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General Fund</u>	<u>Special Education</u>	<u>Career Technical Education</u>	<u>Capital Projects Funds</u>	<u>Nonmajor Student/School Activities</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 3,771,715	\$ 6,763,762	\$ 1,565,972	\$ 3,387,179	\$ 91,860	\$ 15,580,488
Receivables						
Accounts receivable	217	5,316	442	-	-	5,975
Intergovernmental receivables	1,724,949	2,433,646	181,871	-	90	4,340,556
Inventories	-	-	59,788	-	-	59,788
Prepays	255,386	249	165	-	-	255,800
	<u>255,386</u>	<u>249</u>	<u>165</u>	<u>-</u>	<u>-</u>	<u>255,800</u>
TOTAL ASSETS	<u><u>\$ 5,752,267</u></u>	<u><u>\$ 9,202,973</u></u>	<u><u>\$ 1,808,238</u></u>	<u><u>\$ 3,387,179</u></u>	<u><u>\$ 91,950</u></u>	<u><u>\$ 20,242,607</u></u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 151,283	\$ 160,155	\$ 4,646	\$ 480	\$ 325	\$ 316,889
Accrued salaries and related items	25,449	672,628	150,787	-	-	848,864
Accrued retirement	537,606	147,086	31,310	-	-	716,002
Intergovernmental payable	1,564,716	212,216	416	-	123	1,777,471
Unearned revenue	1,817,654	129,458	12,265	-	-	1,959,377
	<u>1,817,654</u>	<u>129,458</u>	<u>12,265</u>	<u>-</u>	<u>-</u>	<u>1,959,377</u>
TOTAL LIABILITIES	<u><u>4,096,708</u></u>	<u><u>1,321,543</u></u>	<u><u>199,424</u></u>	<u><u>480</u></u>	<u><u>448</u></u>	<u><u>5,618,603</u></u>

See notes to financial statements.

	General Fund	Special Education	Career Technical Education	Capital Projects Funds	Nonmajor Student/School Activities	Total Governmental Funds
LIABILITIES AND FUND BALANCES (continued)						
FUND BALANCES						
Nonspendable						
Inventories	\$ -	\$ -	\$ 59,788	\$ -	\$ -	\$ 59,788
Prepays	255,386	249	165	-	-	255,800
Restricted for:						
Special education	-	7,881,181	-	-	-	7,881,181
Career technical education	-	-	1,548,861	-	-	1,548,861
Committed for student/school activities	-	-	-	-	91,502	91,502
Assigned for:						
Capital projects	-	-	-	3,386,699	-	3,386,699
Subsequent year's expenditures	115,000	-	-	-	-	115,000
Unassigned						
General fund	1,285,173	-	-	-	-	1,285,173
TOTAL FUND BALANCES	1,655,559	7,881,430	1,608,814	3,386,699	91,502	14,624,004
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,752,267	\$ 9,202,973	\$ 1,808,238	\$ 3,387,179	\$ 91,950	\$ 20,242,607

Total governmental fund balances

\$ 14,624,004

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

Deferred outflows of resources - related to pension	\$ 6,999,809	
Deferred outflows of resources - related to other postemployment benefits	2,824,976	
Deferred inflows of resources - related to pension	(9,749,056)	
Deferred inflows of resources - related to other postemployment benefits	(7,161,121)	
Deferred inflows of resources - related to state funding for pension	(1,874,709)	
	<u>(8,960,101)</u>	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	18,777,722	
Accumulated depreciation is	<u>(13,227,342)</u>	
		5,550,380
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
Notes from direct borrowings and direct placements		(577,064)
Compensated absences		(431,785)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(4,208)
Net other postemployment benefit liability		(1,897,719)
Net pension liability		<u>(29,179,761)</u>

Net position of governmental activities

\$ (20,876,254)

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, 2022

	General Fund	Special Education	Career Technical Education	Capital Projects Funds	Nonmajor Student/School Activities	Total Governmental Funds
REVENUES						
Local sources	\$ 1,099,936	\$ 11,102,940	\$ 2,111,177	\$ 10,000	\$ 107,686	\$ 14,431,739
State sources	5,880,999	7,282,627	566,777	-	-	13,730,403
Federal sources	882,330	3,810,370	202,528	-	-	4,895,228
Interdistrict sources	911,823	102,501	117,697	-	-	1,132,021
Other	-	16,800	28,818	-	-	45,618
TOTAL REVENUES	8,775,088	22,315,238	3,026,997	10,000	107,686	34,235,009
EXPENDITURES						
Current						
Instruction	1,020,844	6,253,909	1,511,494	-	-	8,786,247
Supporting services	4,909,175	10,837,181	1,010,101	-	-	16,756,457
Community services	343,335	12,370	-	-	-	355,705
Interdistrict transactions	3,073,986	2,227,494	-	-	-	5,301,480
Student/school activities	-	-	-	-	109,112	109,112
Capital outlay	28,851	331,326	83,437	848,634	-	1,292,248
Debt service						
Principal	21,380	75,207	56,413	-	-	153,000
Interest and fiscal charges	4,704	16,546	12,411	-	-	33,661
TOTAL EXPENDITURES	9,402,275	19,754,033	2,673,856	848,634	109,112	32,787,910
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(627,187)	2,561,205	353,141	(838,634)	(1,426)	1,447,099
OTHER FINANCING SOURCES (USES)						
Transfers in	685,226	-	-	861,820	-	1,547,046
Transfers out	-	(1,367,046)	(180,000)	-	-	(1,547,046)
Proceeds from sale of capital assets	25,420	43,275	-	-	-	68,695
TOTAL OTHER FINANCING SOURCES (USES)	710,646	(1,323,771)	(180,000)	861,820	-	68,695
NET CHANGE IN FUND BALANCES	83,459	1,237,434	173,141	23,186	(1,426)	1,515,794
FUND BALANCES						
Beginning of year	1,572,100	6,643,996	1,435,673	3,363,513	92,928	13,108,210
End of year	<u>\$ 1,655,559</u>	<u>\$ 7,881,430</u>	<u>\$ 1,608,814</u>	<u>\$ 3,386,699</u>	<u>\$ 91,502</u>	<u>\$ 14,624,004</u>

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, 2022**

Net change in fund balances total governmental funds \$ 1,515,794

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	(808,876)
Capital outlay	1,305,769
Loss on disposal of capital assets	(19,212)

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	5,610
Accrued interest payable, end of the year	(4,208)

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	190,285
-------------------------	---------

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	417,515
Compensated absences, end of the year	(431,785)

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	1,755,234
Pension related items	34,778

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	1,596,087
Pension related items, end of year	(1,874,709)

Change in net position of governmental activities \$ 3,682,282

**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 a special revenue fund and 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.

The *Career Technical Education Fund* is a special revenue fund and 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.

**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 District reports the following *Other Nonmajor Fund*:

The *Special Revenue Fund* 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.

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 leases are reported as other financing sources.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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.

**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)

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. 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.
- d. 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.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2022. 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

- a. In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:
- b. 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)

- c. 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.
- d. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- e. The United States government or federal agency obligations repurchase agreements.
- f. Bankers' acceptances of United States banks.
- g. 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 one year. 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.

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.

**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 (continued)

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:

Capital Asset Classes	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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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, 2022, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
General education	0.1721
Special revenue funds	
Special education	3.4578
Career technical education	1.3279

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.

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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2022, 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, 2022, \$13,866,236 of the District's bank balance of \$14,116,236 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 \$14,083,785.

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	\$ 1,496,703	N/A

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	\$ 1,496,703	AAAm	Standard & Poor's

Foreign Currency Risk

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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	\$ 1,496,703

The carrying amount of cash and cash equivalents and investments as of June 30, 2022 are as follows:

Cash and cash equivalents	\$ 14,083,785
Investments	1,496,703
	\$ 15,580,488

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.

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

NOTE 3 - CAPITAL ASSETS

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

	Balance <u>July 1, 2021</u>	Additions	Deletions	Balance <u>June 30, 2022</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 140,476	\$ -	\$ -	\$ 140,476
Capital assets, being depreciated				
Buildings and improvements	11,986,763	768,162	39,372	12,715,553
Furniture and equipment	2,002,313	207,179	13,317	2,196,175
Transportation equipment	3,704,244	330,428	309,154	3,725,518
Total capital assets, being depreciated	<u>17,693,320</u>	<u>1,305,769</u>	<u>361,843</u>	<u>18,637,246</u>
Accumulated depreciation:				
Buildings and improvements	8,829,426	329,084	38,452	9,120,058
Furniture and equipment	1,379,983	118,250	13,319	1,484,914
Transportation equipment	2,551,688	361,542	290,860	2,622,370
Total accumulated depreciation	<u>12,761,097</u>	<u>808,876</u>	<u>342,631</u>	<u>13,227,342</u>
Net capital assets being depreciated	<u>4,932,223</u>	<u>496,893</u>	<u>19,212</u>	<u>5,409,904</u>
Net governmental capital assets	<u>\$ 5,072,699</u>	<u>\$ 496,893</u>	<u>\$ 19,212</u>	<u>\$ 5,550,380</u>

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

Governmental activities	
Instruction	\$ 533,858
Support services	266,929
Community services	8,089
	<u>\$ 808,876</u>

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governmental units at June 30, 2022 consist of the following:

Other governmental units	
State aid	\$ 2,523,098
Federal grants	1,484,842
Other	332,616
	<u>\$ 4,340,556</u>

No allowance for doubtful accounts is considered necessary.

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

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2022:

	Compensated Absences	Notes from Direct Borrowings and Direct Placements		Total
		2010 Energy Conservation Bonds	Financed Purchase Agreement	
Balance, July 1, 2021	\$ 417,515	\$ 612,000	\$ 155,349	\$ 1,184,864
Additions	14,270	-	-	14,270
Deletions	-	153,000	37,285	190,285
Balance, June 30, 2022	431,785	459,000	118,064	1,008,849
Due within one year	107,946	153,000	37,285	298,231
Due in more than one year	\$ 323,839	\$ 306,000	\$ 80,779	\$ 710,618

Long-term obligations at June 30, 2022 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%.

\$ 459,000

Financed purchase agreement due in annual installments of \$37,285 1.75% imputed interest, through August 2025.

118,064

Total notes from direct borrowings and direct placements

577,064

Compensated absences

431,785

Total general long-term obligations

\$ 1,008,849

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$577,064 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, 2022, are as follows:

Year Ending June 30,	Notes from Direct Borrowings and Direct Placements				Compensated Absences	Total
	Principal	Interest	Interest Subsidy	Net Interest		
2023	\$ 190,285	\$ 25,245	\$ (24,923)	\$ 322	\$ -	\$ 190,607
2024	190,285	16,830	(16,616)	214	-	190,499
2025	190,285	8,415	(8,308)	107	-	190,392
2026	6,209	-	-	-	-	6,209
	577,064	50,490	(49,847)	643	-	577,707
Compensated absences	-	-	-	-	431,785	431,785
	<u>\$ 577,064</u>	<u>\$ 50,490</u>	<u>\$ (49,847)</u>	<u>\$ 643</u>	<u>\$ 431,785</u>	<u>\$ 1,009,492</u>

Interest expense for the year ended June 30, 2022 was approximately \$33,700.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018 are amortized over an 18-year period beginning October 1, 2020 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, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$4,069,000. Of the total pension contributions approximately \$3,976,000 was contributed to fund the Defined Benefit Plan and approximately \$93,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$1,000,000. Of the total OPEB contributions approximately \$935,000 was contributed to fund the Defined Benefit Plan and approximately \$65,000 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 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, 2021</u>	<u>September 30, 2020</u>
Total pension liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan fiduciary net position	\$ 62,717,060,920	\$ 50,939,496,006
Net pension liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate share	0.12325%	0.12134%
Net pension liability for the District	\$ 29,179,761	\$ 41,680,682

**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 (continued)

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

For the year ended June 30, 2022, the District recognized pension expense of \$3,941,624.

At June 30, 2022, 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	\$ 1,114,291	\$ (196,023)
Differences between expected and actual experience	452,007	(171,834)
Changes of assumptions	1,839,388	-
Net difference between projected and actual plan investments earnings	-	(9,381,199)
Reporting Unit's contributions subsequent to the measurement date	3,594,123	-
	\$ 6,999,809	\$ (9,749,056)

\$3,594,123, 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 September 30,	Amount
2022	\$ (395,233)
2023	(1,352,500)
2024	(2,106,277)
2025	(2,489,360)

**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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 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>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total other postemployment benefits liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan fiduciary net position	\$ 10,520,015,621	\$ 7,849,636,555
Net other postemployment benefits liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.12433%	0.12276%
Net other postemployment benefits liability for the District	\$ 1,897,719	\$ 6,576,579

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

For the year ended June 30, 2022, the District recognized OPEB benefit of \$820,426.

At June 30, 2022, 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	\$ 460,601	\$ (76,489)
Differences between expected and actual experience	-	(5,416,903)
Changes of assumptions	1,586,399	(237,384)
Net difference between projected and actual plan investments earnings	-	(1,430,345)
Reporting Unit's contributions subsequent to the measurement date	<u>777,976</u>	<u>-</u>
	<u>\$ 2,824,976</u>	<u>\$ (7,161,121)</u>

\$777,976, 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 (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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 September 30,	Amount
2022	\$ (1,282,401)
2023	(1,197,493)
2024	(1,143,476)
2025	(1,068,324)
2026	(373,430)
2027	(48,997)

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% - 11.55%, including wage inflation at 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, 2020. 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, 2018 valuation.

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (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 - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

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, 2021 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	25.0%	5.4%
International Equity Pools	15.0%	7.5%
Private Equity Pools	16.0%	9.1%
Real Estate and Infrastructure Pools	10.0%	5.4%
Fixed Income Pools	10.5%	-0.7%
Absolute Return Pools	9.0%	2.6%
Real Return/Opportunistic Pools	12.5%	6.1%
Short Term Investment Pools	2.0%	-1.3%
	<u>100.0%</u>	

* Long-term rates of return are net of administrative expenses and 2.0% inflation.

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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	\$ 41,719,145	\$ 29,179,761	\$ 18,783,790

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	\$ 3,526,304	\$ 1,897,719	\$ 515,632

**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, 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		
	Current		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 461,890	\$ 1,897,719	\$ 3,513,199

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 2021 Annual Comprehensive 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, 2022 or any of the prior three years.

NOTE 9 - TRANSFERS AND INTERFUND RECEIVABLES AND PAYABLES

The special education fund transferred \$555,226 and the career technical education fund transferred \$130,000 to the general fund for indirect cost reimbursements. The special education fund transferred \$811,820, and the career technical education fund transferred \$50,000 to the capital projects funds for capital asset purchases.

There were no interfund payable or receivable balances at June 30, 2022.

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	\$ 73,637
Cato Township	27,135
Broomfield Township	9,502
	\$ 110,274

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 - UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. 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.

There was no material impact on the District's financial statement after the adoption of GASB Statement No. 87.

REQUIRED SUPPLEMENTARY INFORMATION

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 563,208	\$ 729,083	\$ 1,099,936	\$ 370,853
State sources	4,962,545	6,252,620	5,880,999	(371,621)
Federal sources	190,207	880,727	882,330	1,603
Interdistrict sources and other	1,539,781	1,493,292	911,823	(581,469)
TOTAL REVENUES	<u>7,255,741</u>	<u>9,355,722</u>	<u>8,775,088</u>	<u>(580,634)</u>
EXPENDITURES				
Current				
Instruction				
Basic programs	1,022,295	1,110,399	1,018,072	92,327
Added needs	32,807	2,772	2,772	-
Total instruction	<u>1,055,102</u>	<u>1,113,171</u>	<u>1,020,844</u>	<u>92,327</u>
Supporting services				
Pupil	513,605	905,610	832,887	72,723
Instructional staff	1,279,516	1,235,833	1,468,461	(232,628)
General administration	451,093	457,494	451,355	6,139
Business	1,023,594	958,313	911,397	46,916
Operation and maintenance	450,523	443,172	416,891	26,281
Pupil transportation	2,250	3,828	3,203	625
Central services	735,531	839,047	824,981	14,066
Other services	-	2,038	-	2,038
Total supporting services	<u>4,456,112</u>	<u>4,845,335</u>	<u>4,909,175</u>	<u>(63,840)</u>
Community services	<u>234,276</u>	<u>559,782</u>	<u>343,335</u>	<u>216,447</u>
Interdistrict transactions	<u>2,097,853</u>	<u>3,492,878</u>	<u>3,073,986</u>	<u>418,892</u>
Capital outlay	<u>-</u>	<u>28,866</u>	<u>28,851</u>	<u>15</u>
Debt service				
Principal	24,530	21,400	21,380	20
Interest and fiscal charges	11,800	4,800	4,704	96
Total debt service	<u>36,330</u>	<u>26,200</u>	<u>26,084</u>	<u>116</u>
TOTAL EXPENDITURES	<u>7,879,673</u>	<u>10,066,232</u>	<u>9,402,275</u>	<u>663,957</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(623,932)</u>	<u>(710,510)</u>	<u>(627,187)</u>	<u>83,323</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	473,932	682,778	685,226	2,448
Sale of capital assets	-	-	25,420	25,420
TOTAL OTHER FINANCING SOURCES (USES)	<u>473,932</u>	<u>682,778</u>	<u>710,646</u>	<u>27,868</u>
NET CHANGE IN FUND BALANCE	<u>\$ (150,000)</u>	<u>\$ (27,732)</u>	<u>83,459</u>	<u>\$ 111,191</u>
FUND BALANCE				
Beginning of year			<u>1,572,100</u>	
End of year			<u>\$ 1,655,559</u>	

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 11,049,266	\$ 11,066,631	\$ 11,102,940	\$ 36,309
State sources	6,809,418	7,326,596	7,282,627	(43,969)
Federal sources	3,837,618	4,906,458	3,810,370	(1,096,088)
Interdistrict sources	61,200	126,803	102,501	(24,302)
Other	-	-	16,800	16,800
TOTAL REVENUES	21,757,502	23,426,488	22,315,238	(1,111,250)
EXPENDITURES				
Current				
Instruction				
Added needs	6,697,016	6,609,891	6,253,909	355,982
Supporting services				
Pupil	6,964,521	7,666,162	6,620,077	1,046,085
Instructional staff	1,602,558	1,276,638	1,458,497	(181,859)
General administration	38,000	31,000	27,068	3,932
Business	6,600	13,000	12,732	268
Operation and maintenance	636,770	671,983	629,534	42,449
Pupil transportation	1,846,087	1,875,491	1,770,817	104,674
Central services	226,363	364,725	318,456	46,269
Total supporting services	11,320,899	11,898,999	10,837,181	1,061,818
Community services	17,620	77,941	12,370	65,571
Interdistrict transactions	2,498,776	2,434,489	2,227,494	206,995
Capital outlay	270,000	353,195	331,326	21,869
Debt service				
Principal	82,370	75,208	75,207	1
Interest and fiscal charges	25,000	16,546	16,546	-
Total debt service	107,370	91,754	91,753	1
TOTAL EXPENDITURES	20,911,681	21,466,269	19,754,033	1,712,236
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	845,821	1,960,219	2,561,205	600,986
OTHER FINANCING SOURCES (USES)				
Transfers out	(675,821)	(1,460,219)	(1,367,046)	93,173
Sale of capital assets	-	-	43,275	43,275
TOTAL OTHER FINANCING SOURCES (USES)	(675,821)	(1,460,219)	(1,323,771)	136,448
NET CHANGE IN FUND BALANCE	\$ 170,000	\$ 500,000	1,237,434	\$ 737,434
FUND BALANCE				
Beginning of year			6,643,996	
End of year			<u>\$ 7,881,430</u>	

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CAREER TECHNICAL EDUCATION FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 1,938,718	\$ 2,146,099	\$ 2,111,177	\$ (34,922)
State sources	537,139	556,340	566,777	10,437
Federal sources	205,335	202,509	202,528	19
Interdistrict sources	103,000	146,862	117,697	(29,165)
Other	-	-	28,818	28,818
TOTAL REVENUES	2,784,192	3,051,810	3,026,997	(24,813)
EXPENDITURES				
Current				
Instruction				
Added needs	1,416,095	1,564,868	1,511,494	53,374
Supporting services				
Pupil	140,426	129,892	130,993	(1,101)
Instructional staff	172,342	192,590	190,534	2,056
General administration	6,500	7,000	5,942	1,058
School administration	141,311	140,295	134,374	5,921
Business	1,500	700	507	193
Operation and maintenance	409,596	432,721	418,303	14,418
Pupil transportation	-	-	8,121	(8,121)
Central services	153,322	125,914	121,327	4,587
Total supporting services	1,024,997	1,029,112	1,010,101	19,011
Interdistrict transactions	-	6,790	-	6,790
Capital outlay	42,000	86,670	83,437	3,233
Debt service				
Principal	57,100	56,413	56,413	-
Interest and fiscal charges	15,000	12,500	12,411	89
Total debt service	72,100	68,913	68,824	89
TOTAL EXPENDITURES	2,555,192	2,756,353	2,673,856	82,497
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	229,000	295,457	353,141	57,684
OTHER FINANCING SOURCES (USES)				
Transfers out	(169,000)	(180,000)	(180,000)	-
NET CHANGE IN FUND BALANCE	\$ 60,000	\$ 115,457	173,141	\$ 57,684
FUND BALANCE				
Beginning of year			1,435,673	
End of year			<u>\$ 1,608,814</u>	

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.12325%	0.12134%	0.11888%	0.11650%	0.11321%	0.10858%	0.10596%	0.09981%
Reporting Unit's proportionate share of net pension liability	\$ 29,179,761	\$ 41,680,682	\$ 39,368,330	\$ 35,021,537	\$ 29,337,003	\$ 27,088,627	\$ 25,881,625	\$ 21,112,641
Reporting Unit's covered-employee payroll	\$ 11,173,881	\$ 10,795,055	\$ 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 (%)	261.14%	386.11%	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)	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 3,976,402	\$ 3,644,663	\$ 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	<u>3,976,402</u>	<u>3,644,663</u>	<u>3,255,035</u>	<u>3,120,119</u>	<u>3,066,941</u>	<u>2,626,416</u>	<u>2,487,644</u>	<u>2,070,127</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 11,223,049	\$ 11,083,546	\$ 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	35.43%	32.88%	30.41%	29.70%	31.07%	27.45%	27.15%	23.62%

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.12433%	0.12276%	0.11978%	0.11868%	0.11304%
Reporting unit's proportionate share of net OPEB liability	\$ 1,897,719	\$ 6,576,579	\$ 8,597,832	\$ 9,433,795	\$ 10,010,278
Reporting Unit's covered-employee payroll	\$ 11,173,881	\$ 10,795,055	\$ 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 (%)	16.98%	60.92%	81.85%	93.56%	104.40%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	87.33%	59.44%	48.46%	42.95%	36.39%

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 934,808	\$ 972,827	\$ 913,380	\$ 862,647	\$ 874,320
Contributions in relation to statutorily required contributions	<u>934,808</u>	<u>972,827</u>	<u>913,380</u>	<u>862,647</u>	<u>874,320</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 11,223,049	\$ 11,083,546	\$ 10,703,285	\$ 10,505,068	\$ 9,869,872
Contributions as a percentage of covered-employee payroll	8.33%	8.78%	8.53%	8.21%	8.86%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-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, 2022**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - there were no changes of assumptions in 2021.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - the assumption changes for 2021 were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

ADDITIONAL SUPPLEMENTARY INFORMATION

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Program Title	Federal Assistance Listing Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2021	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2022	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								
210450-2021	84.027A	\$ 3,416,771	\$ 573,086	\$ 3,280,785	\$ 135,986	\$ 709,072	\$ -	\$ -
210493-GSG	84.027A	142,600	51,075	142,600	-	51,075	-	-
220450-2122	84.027A	3,452,605	-	-	3,108,891	2,296,489	812,402	-
220493-2122	84.027A	142,600	-	-	142,600	121,986	20,614	-
Total ALN 84.027		7,852,577	624,161	3,423,385	3,387,477	3,178,622	833,016	-
Special Education Preschool Grants								
210460-2021	84.173A	105,780	84,533	99,076	6,705	91,238	-	84,501
220460-2122	84.173A	106,499	-	-	106,499	27,295	79,204	-
COVID-19 221285-2122	84.173X	54,416	-	-	54,416	-	54,416	-
Total ALN 84.173		266,695	84,533	99,076	167,620	118,533	133,620	84,501
Total Special Education Cluster		8,119,272	708,694	3,522,461	3,555,097	3,297,155	966,636	84,501
Special Education - Grants for Infants and Families								
211340-2021	84.181A	113,767	32,699	113,767	-	32,699	-	-
221340-2122	84.181A	114,399	-	-	114,399	97,557	16,842	-
COVID-19 221283-EOARP	84.181X	55,606	-	-	1,291	-	1,291	-
Total ALN 84.181		283,772	32,699	113,767	115,690	130,256	18,133	-
Education for Homeless Children and Youth								
212320-2021	84.196	133,207	11,763	59,967	19,281	31,044	-	-
222320-2122	84.196	127,555	-	-	80,614	66,389	14,225	-
Total ALN 84.196		260,762	11,763	59,967	99,895	97,433	14,225	-
COVID-19 Pandemic EBT Local Level Costs								
210980-2021	10.649	614	-	-	614	614	-	-
Passed through Gratiot-Isabella RESD								
Career and Technical Education - Basic Grants to States								
213520-211210	84.048A	162,127	17,930	162,127	-	17,930	-	-
223520-211210	84.048A	194,457	-	-	186,149	151,006	35,143	-
Total ALN 84.048		356,584	17,930	162,127	186,149	168,936	35,143	-
Total U.S. Department of Education		9,021,004	771,086	3,858,322	3,957,445	3,694,394	1,034,137	84,501

The accompanying notes are an integral part of this schedule.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Program Title	Federal Assistance Listing Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2021	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2022	Current Year Cash Transferred to Subrecipient
U.S. Department of Health and Human Services								
Direct Programs								
Drug Free Communities Support Program Grants								
1 NH28CE003281-01-00	93.276	\$ 40,997	\$ 11,428	\$ 11,428	\$ 29,569	\$ 40,997	\$ -	\$ -
6NH28CE003281-02-00	93.276	209,003	-	-	109,385	80,791	28,594	-
Total ALN 93.276		250,000	11,428	11,428	138,954	121,788	28,594	-
C3 Block Grants for Prevention & Treatment of Substance Abuse								
C3 Block Grant	93.959	50,000	-	-	3,555	2,160	1,395	-
Passed through Michigan Department of Community Health								
Medicaid Cluster								
Medical Assistance Program	93.778	104,383	-	-	104,383	104,383	-	-
Passed through Michigan Department of Education								
PDG B-5 Trusted Advisors Grant								
213910-3.621	93.434	33,000	7,910	12,783	20,217	28,127	-	-
223910-3.622	93.434	25,000	-	-	24,144	20,061	4,083	-
Total ALN 94.434		58,000	7,910	12,783	44,361	48,188	4,083	-
Passed through Mid-Michigan District Health Department								
COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases (ELC) - HRA								
COVID-19 HRA Grant	93.323	210,000	-	-	210,000	171,350	38,650	190,000
Passed through the Michigan Association of United Way								
477 Cluster								
Child Development and Care Block Grant	93.575	1,020	-	-	1,020	-	1,020	-
Total U.S. Department of Health and Human Services		673,403	19,338	24,211	502,273	447,869	73,742	190,000
U.S. Department of Treasury								
Passed through MAISA/Copper ISD								
COVID-19 Coronavirus Relief Funds - MiConnect Connectivity Funding								
	21.019	23,293	(23,293)	-	23,293	-	-	-
Passed through Michigan Department of Education								
COVID-19 Coronavirus State and Local Fiscal Recovery Funds								
ARP-GSRP								
22S439-2122	21.027	391,500	-	-	376,963	-	376,963	-
Total U.S. Department of Treasury		414,793	(23,293)	-	400,256	-	376,963	-
Total Federal Awards		<u>\$ 10,109,200</u>	<u>\$ 767,131</u>	<u>\$ 3,882,533</u>	<u>\$ 4,859,974</u>	<u>\$ 4,142,263</u>	<u>\$ 1,484,842</u>	<u>\$ 274,501</u>

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, 2022**

Federal Grantor/Program Title/Subrecipient Name	Grant/Project Number	Federal Assistance Listing Number	Award Amount	Due to Subrecipient 7/1/2021	Subrecipient Current Year Expenditures	Current Year Cash Transferred to Subrecipient	Due to Subrecipient 6/30/2022
<u>U.S. Department of Education</u>							
Passed through Michigan Department of Education							
Special Education Cluster							
Special Education Preschool Grants							
Greenville Public Schools	210460-2021	84.173A	\$ 65,336	\$ 65,336	\$ -	\$ 65,336	\$ -
Tri County Area Schools	210460-2021	84.173A	19,165	19,165	-	19,165	-
Greenville Public Schools	220460-2122	84.173A	53,536	-	53,536	-	53,536
Tri County Area Schools	220460-2122	84.173A	21,574	-	21,574	-	21,574
Greenville Public Schools	221285-2122	84.173X	27,354	-	27,354	-	27,354
Tri County Area Schools	221285-2122	84.173X	11,023	-	11,023	-	11,023
Total Special Education Cluster			<u>\$ 197,989</u>	<u>\$ 84,501</u>	<u>\$ 113,488</u>	<u>\$ 84,501</u>	<u>\$ 113,488</u>
<u>U.S. Department of Health and Human Services</u>							
Passed through the Mid-Michigan District Health Department							
COVID-19 Epidemiology & Laboratory Capacity for							
Infectious Diseases (ELC) - HRA							
Central Montcalm Public Schools		93.323	\$ 30,000	\$ -	\$ 30,000	\$ 30,000	\$ -
Montabella Public Schools		93.323	20,000	-	20,000	20,000	-
Tri-County Public Schools		93.323	30,000	-	30,000	30,000	-
Lakeview Community Schools		93.323	20,000	-	20,000	20,000	-
Carson City-Crystal Public Schools		93.323	20,000	-	20,000	20,000	-
Greenville Public Schools		93.323	40,000	-	40,000	40,000	-
Vestaburg Community Schools		93.323	20,000	-	20,000	20,000	-
Flat-River Academy		93.323	10,000	-	10,000	10,000	-
Total MDHSS Health Resource Advocate Funding			<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ -</u>
<u>U.S. Department of Treasury</u>							
COVID-19 Coronavirus State and Local Fiscal Recovery Funds							
Passed through Michigan Department of Education							
ARP-GSRP							
Greenville Public Schools	22S439-2122	21.027	\$ 278,600	\$ -	\$ 277,725	\$ -	\$ 277,725
Carson City Crystal Public Schools	22S439-2122	21.027	79,600	-	79,600	-	79,600
Total ARP-GSRP			<u>\$ 358,200</u>	<u>\$ -</u>	<u>\$ 357,325</u>	<u>\$ -</u>	<u>\$ 357,325</u>

The accompanying notes are an integral part of this schedule.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

NOTE 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, 2022. 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.

NOTE 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.

Management has utilized the NexSys Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$	882,330
Special education fund		3,810,370
Career technical education fund		<u>202,528</u>
Federal revenue per financial statements		4,895,228
Less federal QZAB interest subsidy		<u>(35,254)</u>
Total federal expenditures	\$	<u><u>4,859,974</u></u>

NOTE 4 - 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.



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

To the Board of Education
Montcalm Area Intermediate School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montcalm Area Intermediate School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Montcalm Area Intermediate School District's basic financial statements, and have issued our report thereon dated October 12, 2022.

Report on 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) as a basis for designing 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 Montcalm Area Intermediate School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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

October 12, 2022



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

To the Board of Education
Montcalm Area Intermediate School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Montcalm Area Intermediate School District's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Montcalm Area Intermediate School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Montcalm Area Intermediate School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Montcalm Area Intermediate School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Montcalm Area Intermediate School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Montcalm Area Intermediate School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Montcalm Area Intermediate School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Montcalm Area Intermediate School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Montcalm Area Intermediate School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

October 12, 2022

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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:

Assistance Listing 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, 2022**

There were no audit findings in the prior two years.