

**MONTCALM AREA INTERMEDIATE  
SCHOOL DISTRICT**

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

**YEAR ENDED JUNE 30, 2023**

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4-10
BASIC FINANCIAL STATEMENTS.....	11
Government-wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	14-15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Notes to Financial Statements .....	18-43
REQUIRED SUPPLEMENTARY INFORMATION .....	44
Budgetary Comparison Schedule - General Fund .....	45
Budgetary Comparison Schedule - Special Education Fund.....	46
Budgetary Comparison Schedule - Career Technical Education Fund.....	47
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability.....	48
Schedule of the Reporting Unit's Pension Contributions.....	49
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability.....	50
Schedule of the Reporting Unit's OPEB Contributions.....	51
Notes to Required Supplementary Information .....	52
ADDITIONAL SUPPLEMENTARY INFORMATION .....	53
Schedule of Expenditures of Federal Awards.....	54-56
Schedule of Expenditures of Federal Awards Pass-through Amounts.....	57
Notes to the Schedule of Expenditures of Federal Awards.....	58
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	59-60
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	61-63
Schedule of Findings and Questioned Costs .....	64
Schedule of Prior Year Audit Findings .....	65



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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, 2023, 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, 2023, 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 September 1, 2023 on our consideration of Montcalm Area Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Montcalm Area Intermediate School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montcalm Area Intermediate School District's internal control over financial reporting and compliance.

*Maney Costeiran PC*

September 1, 2023

## 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, 2023. 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.

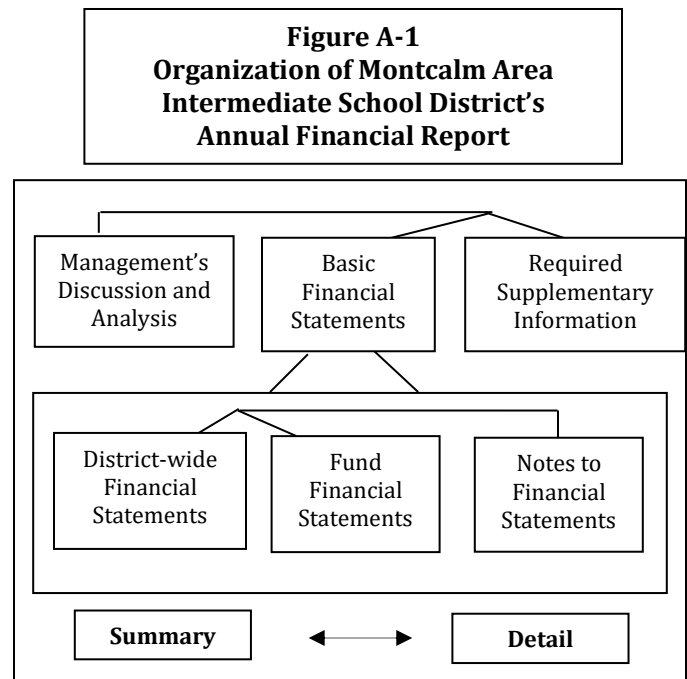
### FINANCIAL HIGHLIGHTS

- Total **General Education Fund** revenues and other financing sources were \$10.31 million and expenditures and other financing uses were \$10.28 million. At June 30, 2023, the fund balance in the general fund was \$1,684,316. This is an increase of \$28,757 from the 2021-2022 fiscal year.
- Total **Special Education Fund** revenues and other financing sources were \$27.13 million and expenditures and other financing uses were \$24.64 million. At June 30, 2023, the fund balance in the special education fund was \$10,370,892. This is an increase of \$2,489,462 from the 2021-2022 fiscal year.
- Total **Career Technical Education Fund** revenues were \$3.16 million and expenditures and other financing uses were \$3.33 million. At June 30, 2023, the fund balance in the career technical education fund was \$1,437,188. This is a decrease of \$171,626 from the 2021-2022 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.

<b>Figure A-2 Major Features of District-wide and Fund Financial Statements</b>		
	<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**

<b>Table A-3</b>		
<b>Montcalm Area Intermediate School District's Net Position</b>		
	2023	2022
Current and other assets	\$ 25,889,235	\$ 20,242,607
Capital assets	5,375,355	5,550,380
Total assets	31,264,590	25,792,987
Deferred outflows of resources	17,420,107	9,824,785
Other liabilities	8,178,340	5,921,042
Noncurrent liabilities	556,530	710,618
Net pension liability	44,605,280	29,179,761
Net other postemployment benefits liability	2,474,865	1,897,719
Total liabilities	55,815,015	37,709,140
Deferred inflows of resources	9,998,021	18,784,886
Net position		
Net investment in capital assets	4,988,576	4,973,316
Unrestricted	(22,116,915)	(25,849,570)
Total net position	\$ (17,128,339)	\$ (20,876,254)

<b>Table A-4</b>		
<b>Changes in Montcalm Area Intermediate School District's Net Position</b>		
	2023	2022
Revenues		
Program revenues		
Charges for services	\$ 21,136	\$ 28,191
Operating grants and contributions	20,498,689	20,812,482
General revenues		
Property taxes	12,498,663	12,044,126
State sources - unrestricted	892,472	868,901
Other	4,581,476	271,382
Total revenues	38,492,436	34,025,082
Expenses		
Instruction	9,699,050	8,347,111
Support services	18,001,483	16,195,667
Community services	459,752	357,171
Interdistrict transactions	6,456,083	5,301,480
Interest on long-term debt	23,842	32,259
Student/school activities	104,311	109,112
Total expenses	34,744,521	30,342,800
Change in net position	\$ 3,747,915	\$ 3,682,282

**District Governmental Activities:**

The following factors have positively influenced Montcalm Area ISD’s financial status at June 30, 2023.

- The General Fund experienced an increase in fund balance of \$28,757.
- The Special Education Fund experienced in 2022-2023 a 21.5% 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 \$18,023,997 which is \$3,399,993 more than last year’s combined ending fund balance of \$14,624,004. The changes in fund balances are as follows:

<b>Table A-5</b>						
<b>Changes in Montcalm Area Intermediate School District’s Fund Balances</b>						
	<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	\$ 1,655,559	\$ 7,881,430	\$ 1,608,814	\$ 3,386,699	\$ 91,502	\$ 14,624,004
Increase (decrease)	<u>28,757</u>	<u>2,489,462</u>	<u>(171,626)</u>	<u>1,062,067</u>	<u>(8,667)</u>	<u>3,399,993</u>
Fund balance, end of year	<u>\$ 1,684,316</u>	<u>\$ 10,370,892</u>	<u>\$ 1,437,188</u>	<u>\$ 4,448,766</u>	<u>\$ 82,835</u>	<u>\$ 18,023,997</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 \$9,385,298, which is more than the original budget estimate of \$8,914,846 and less than the final amended budget of \$12,133,622. The variance of \$2,748,234 is within 22.65% of the final budgeted amount.
- Actual general fund expenditures were \$10,241,345, which is more than the original budget estimate of \$9,690,122 and less than the final amended budget of \$13,016,389. The variance of \$2,775,044 is within 21.32% of the final budgeted amount.

**Special Education Fund:**

- The special education fund actual revenues were \$27,120,851, which is more than the original budget estimate of \$22,686,310 and less than the final amended budget of \$28,026,827. The variance of \$905,976 is within 3.23% of the final budgeted amount.
- Actual special education fund expenditures were \$22,866,722 which is more than the original budget estimate of \$21,672,022 and less than the final amended budget of \$24,184,060. The variance of \$1,317,338 is within 5.45% of the final budgeted amount.

Career Technical Education Fund:

- The career technical education fund actual revenues were \$3,155,241, which is more than the original budget estimate of \$2,940,372 and less than the final amended budget of \$3,266,962. The variance of \$111,721 is within 3.42% of the final budgeted amount.
- Actual career technical education fund expenditures were \$3,176,867, which is more than the original budget estimate of \$2,735,372 and less than the final amended budget of \$3,351,962. The variance of \$175,095 is within 5.22% of the final budgeted amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

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

	2023	2022
Land	\$ 140,476	\$ 140,476
Buildings and improvements	12,773,709	12,715,553
Furniture and equipment	2,364,376	2,196,175
Transportation equipment	3,832,793	3,725,518
Total	19,111,354	18,777,722
Less accumulated depreciation	13,735,999	13,227,342
Net capital assets	<u>\$ 5,375,355</u>	<u>\$ 5,550,380</u>

**Debt**

As of June 30, 2023, the District had \$306,000 outstanding on the Energy Conservation bonds, compared to \$459,000 outstanding at the end of the prior year. The District repaid \$153,000 of principal during fiscal year 2022-2023.

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 2022-2023 fiscal year budget. The most important factors affecting the operating budget are the economic condition of the State and new legislation. The 2023-2024 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 2023-2024 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, 2023**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 20,796,085
Receivables	
Accounts receivable	6,749
Taxes receivable	810
Intergovernmental receivables	4,697,914
Inventories	92,869
Prepays	294,808
Capital assets not being depreciated	140,476
Capital assets, net of accumulated depreciation	5,234,879
TOTAL ASSETS	31,264,590
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to other postemployment benefits	3,537,668
Related to pension	13,882,439
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,420,107
<b>LIABILITIES</b>	
Accounts payable	145,007
Accrued salaries and related items	1,102,393
Accrued retirement	1,002,167
Accrued interest	2,805
Intergovernmental payable	2,100,314
Unearned revenue	3,515,357
Noncurrent liabilities	
Due within one year	310,297
Due in more than one year	556,530
Net other postemployment benefits liability	2,474,865
Net pension liability	44,605,280
TOTAL LIABILITIES	55,815,015
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to other postemployment benefits	5,483,547
Related to pension	1,342,963
Related to state aid funding for pension	3,171,511
TOTAL DEFERRED INFLOWS OF RESOURCES	9,998,021
<b>NET POSITION</b>	
Net investment in capital assets	4,988,576
Unrestricted	(22,116,915)
TOTAL NET POSITION	\$ (17,128,339)

See notes to financial statements.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

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	\$ 9,699,050	\$ -	\$ 6,019,507	\$ (3,679,543)
Support services	18,001,483	-	11,168,537	(6,832,946)
Community services	459,752	21,136	283,734	(154,882)
Interdistrict transactions	6,456,083	-	2,931,267	(3,524,816)
Student/school activities	104,311	-	95,644	(8,667)
Interest on long-term debt	23,842	-	-	(23,842)
Total governmental activities	<u>\$ 34,744,521</u>	<u>\$ 21,136</u>	<u>\$ 20,498,689</u>	<u>(14,224,696)</u>
General revenues				
Property taxes, levied for general purposes				495,333
Property taxes, levied for special education				9,954,881
Property taxes, levied for career technical education				2,048,449
Investment earnings				388,158
State sources - unrestricted				892,472
Gain on sale of capital assets				32,204
Other				4,161,114
Total general revenues				<u>17,972,611</u>
CHANGE IN NET POSITION				3,747,915
NET POSITION, beginning of year				<u>(20,876,254)</u>
NET POSITION, end of year				<u>\$ (17,128,339)</u>

See notes to financial statements.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	General Fund	Special Education	Career Technical Education	Capital Projects Funds	Nonmajor Student/School Activities	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,323,720	\$ 9,418,166	\$ 1,520,431	\$ 4,448,766	\$ 85,002	\$ 20,796,085
Receivables						
Accounts receivable	378	5,424	947	-	-	6,749
Taxes receivable	28	565	217	-	-	810
Intergovernmental receivables	1,858,744	2,664,170	175,000	-	-	4,697,914
Inventories	-	-	92,869	-	-	92,869
Prepays	293,347	1,066	395	-	-	294,808
	<u>\$ 7,476,217</u>	<u>\$ 12,089,391</u>	<u>\$ 1,789,859</u>	<u>\$ 4,448,766</u>	<u>\$ 85,002</u>	<u>\$ 25,889,235</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 118,577	\$ 24,263	\$ -	\$ 2,167	\$ 145,007
Accrued salaries and related items	8,212	899,679	194,502	-	-	1,102,393
Accrued retirement	804,795	162,198	35,174	-	-	1,002,167
Intergovernmental payable	1,806,416	293,762	136	-	-	2,100,314
Unearned revenue	3,172,478	244,283	98,596	-	-	3,515,357
	<u>5,791,901</u>	<u>1,718,499</u>	<u>352,671</u>	<u>-</u>	<u>2,167</u>	<u>7,865,238</u>

See notes to financial statements.

	General Fund	Special Education	Career Technical Education	Capital Projects Funds	Nonmajor Student/School Activities	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES (continued)</b>						
<b>FUND BALANCES</b>						
Nonspendable						
Inventories	\$ -	\$ -	\$ 92,869	\$ -	\$ -	\$ 92,869
Prepays	293,347	1,066	395	-	-	294,808
Restricted for:						
Special education	-	10,369,826	-	-	-	10,369,826
Career technical education	-	-	1,343,924	-	-	1,343,924
Committed for student/school activities	-	-	-	-	82,835	82,835
Assigned for:						
Capital projects	-	-	-	4,448,766	-	4,448,766
Subsequent year's expenditures	25,000	-	-	-	-	25,000
Unassigned						
General fund	1,365,969	-	-	-	-	1,365,969
<b>TOTAL FUND BALANCES</b>	<b>1,684,316</b>	<b>10,370,892</b>	<b>1,437,188</b>	<b>4,448,766</b>	<b>82,835</b>	<b>18,023,997</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,476,217</b>	<b>\$ 12,089,391</b>	<b>\$ 1,789,859</b>	<b>\$ 4,448,766</b>	<b>\$ 85,002</b>	<b>\$ 25,889,235</b>

**Total governmental fund balances**

\$ 18,023,997

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

Deferred outflows of resources - related to pension	\$ 13,882,439
Deferred outflows of resources - related to other postemployment benefits	3,537,668
Deferred inflows of resources - related to pension	(1,342,963)
Deferred inflows of resources - related to other postemployment benefits	(5,483,547)
Deferred inflows of resources - related to state funding for pension	(3,171,511)
	<u>7,422,086</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	19,111,354
Accumulated depreciation is	(13,735,999)
	<u>5,375,355</u>
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	(386,779)
Compensated absences	(480,048)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid	(2,805)
Net other postemployment benefit liability	(2,474,865)
Net pension liability	(44,605,280)
	<u>(48,949,777)</u>

**Net position of governmental activities**

\$ (17,128,339)

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, 2023**

	General Fund	Special Education	Career Technical Education	Capital Projects Funds	Nonmajor Student/School Activities	Total Governmental Funds
<b>REVENUES</b>						
Local sources	\$ 963,425	\$ 12,745,326	\$ 2,132,913	\$ -	\$ 95,644	\$ 15,937,308
State sources	7,211,127	9,948,067	750,131	-	-	17,909,325
Federal sources	502,817	4,279,510	198,697	-	-	4,981,024
Interdistrict sources	707,929	133,210	73,500	-	-	914,639
Other	-	14,738	-	-	-	14,738
<b>TOTAL REVENUES</b>	<b>9,385,298</b>	<b>27,120,851</b>	<b>3,155,241</b>	<b>-</b>	<b>95,644</b>	<b>39,757,034</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
Instruction	964,052	6,856,631	1,781,674	-	-	9,602,357
Supporting services	5,217,594	12,542,063	1,235,435	-	-	18,995,092
Community services	365,318	73,450	-	-	-	438,768
Interdistrict transactions	3,508,276	2,947,807	-	-	-	6,456,083
Student/school activities	-	-	-	-	104,311	104,311
Capital outlay	161,197	359,155	94,037	-	-	614,389
<b>Debt service</b>						
Principal	21,380	75,207	56,413	-	-	153,000
Interest and fiscal charges	3,528	12,409	9,308	-	-	25,245
<b>TOTAL EXPENDITURES</b>	<b>10,241,345</b>	<b>22,866,722</b>	<b>3,176,867</b>	<b>-</b>	<b>104,311</b>	<b>36,389,245</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(856,047)</b>	<b>4,254,129</b>	<b>(21,626)</b>	<b>-</b>	<b>(8,667)</b>	<b>3,367,789</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	924,614	-	-	1,040,000	-	1,964,614
Transfers out	(40,000)	(1,774,614)	(150,000)	-	-	(1,964,614)
Proceeds from sale of capital assets	190	9,947	-	22,067	-	32,204
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>884,804</b>	<b>(1,764,667)</b>	<b>(150,000)</b>	<b>1,062,067</b>	<b>-</b>	<b>32,204</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>28,757</b>	<b>2,489,462</b>	<b>(171,626)</b>	<b>1,062,067</b>	<b>(8,667)</b>	<b>3,399,993</b>
<b>FUND BALANCES</b>						
Beginning of year	1,655,559	7,881,430	1,608,814	3,386,699	91,502	14,624,004
End of year	\$ 1,684,316	\$ 10,370,892	\$ 1,437,188	\$ 4,448,766	\$ 82,835	\$ 18,023,997

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, 2023**

**Net change in fund balances total governmental funds** **\$ 3,399,993**

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	(799,332)
Capital outlay	624,307

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	4,208
Accrued interest payable, end of the year	(2,805)

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
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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	431,785
Compensated absences, end of the year	(480,048)

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	1,813,120
Pension related items	(136,796)

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	1,874,709
Pension related items, end of year	<u>(3,171,511)</u>

**Change in net position of governmental activities** **\$ 3,747,915**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

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.

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, 2023. 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*

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*Investments (continued)*

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

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

*Inventories and Prepaid Items*

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

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

*Capital Assets*

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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, 2023, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
General education	0.1699
Special revenue funds	
Special education	3.4145
Career technical education	1.3090

*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, 2023, 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, 2023, \$17,415,869 of the District's bank balance of \$17,665,869 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 \$17,587,951.

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	\$ 3,208,134	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	\$ 3,208,134	AAAm	Standard & Poor's

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

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Foreign Currency Risk

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

Fair Value Measurement

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

The three levels of the fair value hierarchy are described as follows:

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

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

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

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

	<u>Amortized Cost</u>
MILAF External Investment pool - Max	<u>\$ 3,208,134</u>

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

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Fair Value Measurement (continued)

The carrying amount of cash and cash equivalents and investments as of June 30, 2023 are as follows:

Cash and cash equivalents	\$ 17,587,951
Investments	<u>3,208,134</u>
	<u><u>\$ 20,796,085</u></u>

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

**NOTE 3 - CAPITAL ASSETS**

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

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 140,476	\$ -	\$ -	\$ 140,476
Capital assets, being depreciated				
Buildings and improvements	12,715,553	58,156	-	12,773,709
Furniture and equipment	2,196,175	168,201	-	2,364,376
Transportation equipment	3,725,518	397,950	290,675	3,832,793
Total capital assets, being depreciated	<u>18,637,246</u>	<u>624,307</u>	<u>290,675</u>	<u>18,970,878</u>
Accumulated depreciation				
Buildings and improvements	9,120,058	337,878	-	9,457,936
Furniture and equipment	1,484,914	130,482	-	1,615,396
Transportation equipment	2,622,370	330,972	290,675	2,662,667
Total accumulated depreciation	<u>13,227,342</u>	<u>799,332</u>	<u>290,675</u>	<u>13,735,999</u>
Net capital assets being depreciated	<u>5,409,904</u>	<u>(175,025)</u>	<u>-</u>	<u>5,234,879</u>
Net governmental capital assets	<u><u>\$ 5,550,380</u></u>	<u><u>\$ (175,025)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,375,355</u></u>

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

Governmental activities	
Instruction	\$ 527,559
Support services	263,780
Community services	<u>7,993</u>
	<u><u>\$ 799,332</u></u>

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

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

Amounts due from other governmental units at June 30, 2023 consist of the following:

Other governmental units	
State aid	\$ 3,443,516
Federal grants	957,320
Other	<u>297,078</u>
	<u><u>\$ 4,697,914</u></u>

No allowance for doubtful accounts is considered necessary.

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligations for the District for the year ended June 30, 2023:

	Compensated Absences	Notes from Direct Borrowings and Direct Placements		Total
		2010 Energy Conservation Bonds	Financed Purchase Agreement	
Balance, July 1, 2022	\$ 431,785	\$ 459,000	\$ 118,064	\$ 1,008,849
Additions	48,263	-	-	48,263
Deletions	-	153,000	37,285	190,285
Balance, June 30, 2023	480,048	306,000	80,779	866,827
Due within one year	<u>120,012</u>	<u>153,000</u>	<u>37,285</u>	<u>310,297</u>
Due in more than one year	<u><u>\$ 360,036</u></u>	<u><u>\$ 153,000</u></u>	<u><u>\$ 43,494</u></u>	<u><u>\$ 556,530</u></u>

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

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

Long-term obligations at June 30, 2023 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% \$ 306,000

Financed purchase agreement due in annual installments of \$37,285 1.75% imputed interest, through August 2025. 80,779

Total notes from direct borrowings and direct placements 386,779

Compensated absences 480,048

Total general long-term obligations \$ 866,827

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$386,779 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.

The annual requirement to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2023, are as follows:

Year Ending June 30,	Notes from Direct Borrowings and Direct Placements				Compensated Absences	Total
	Principal	Interest	Interest Subsidy	Net Interest		
2024	\$ 190,285	\$ 16,830	\$ (16,616)	\$ 214	\$ -	\$ 190,499
2025	190,285	8,415	(8,308)	107	-	190,392
2026	<u>6,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,209</u>
	386,779	25,245	(24,924)	321	-	387,100
Compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,048</u>	<u>480,048</u>
	<u><u>\$ 386,779</u></u>	<u><u>\$ 25,245</u></u>	<u><u>\$ (24,924)</u></u>	<u><u>\$ 321</u></u>	<u><u>\$ 480,048</u></u>	<u><u>\$ 867,148</u></u>

Interest expense for the year ended June 30, 2023 was approximately \$24,000.

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

**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](http://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.

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 MPERS 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%.

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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.

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.

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2012 (continued)

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.

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.

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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.

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 60<sup>th</sup> 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.

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Employer Contributions (continued)

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over an 17-year period beginning October 1, 2021 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, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$5,570,000. Of the total pension contributions approximately \$5,446,000 was contributed to fund the Defined Benefit Plan and approximately \$124,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$1,086,000. Of the total OPEB contributions approximately \$1,008,000 was contributed to fund the Defined Benefit Plan and approximately \$78,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c(1) and Section 147c(2) 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 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.

<i>MPSERS (Plan)</i> Non-university Employers	September 30, 2022	September 30, 2021
Total pension liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan fiduciary net position	\$ 58,268,076,344	\$ 62,717,060,920
Net pension liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate share	0.11860%	0.12325%
Net pension liability for the District	\$ 44,605,280	\$ 29,179,761

**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, 2023, the District recognized pension expense of \$5,582,305.

At June 30, 2023, 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	\$ 606,784	\$ (1,243,230)
Differences between expected and actual experience	446,208	(99,733)
Changes of assumptions	7,664,785	-
Net difference between projected and actual plan investments earnings	104,599	-
Reporting Unit's contributions subsequent to the measurement date	5,060,063	-
	\$ 13,882,439	\$ (1,342,963)

\$5,060,063, 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
2023	\$ 2,294,011
2024	1,564,093
2025	1,190,894
2026	2,430,415

**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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 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, 2022</u>	<u>September 30, 2021</u>
Total other postemployment benefits liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan fiduciary net position	\$ 10,404,650,683	\$ 10,520,015,621
Net other postemployment benefits liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate share	0.11685%	0.12433%
Net other postemployment benefits liability for the District	\$ 2,474,865	\$ 1,897,719

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

For the year ended June 30, 2023, the District recognized OPEB benefit of \$805,538.

At June 30, 2023, 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	\$ 288,947	\$ (456,616)
Differences between expected and actual experience	-	(4,847,312)
Changes of assumptions	2,205,926	(179,619)
Net difference between projected and actual plan investments earnings	193,430	-
Reporting Unit's contributions subsequent to the measurement date	<u>849,365</u>	<u>-</u>
	<u>\$ 3,537,668</u>	<u>\$ (5,483,547)</u>

\$849,365, 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
2023	\$ (897,466)
2024	(849,953)
2025	(779,740)
2026	(128,910)
2027	(122,049)
2028	(17,126)

Actuarial Assumptions

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

**Investment Rate of Return for OPEB** - 6.00% 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, 2021. 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 6.00% (MIP, Basic, Pension Plus, and Pension Plus 2 Plan) and the other postemployment benefit rate was 6.00%, 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, 2022 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%	5.1%
International Equity Pools	15.0%	6.7%
Private Equity Pools	16.0%	8.7%
Real Estate and Infrastructure Pools	10.0%	5.3%
Fixed Income Pools	13.0%	-0.2%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short Term Investment Pools	2.0%	-0.5%
	<u>100.0%</u>	

\* Long-term rates of return are net of administrative expenses and 2.2% 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, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, 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 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. 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 6.00% 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 6.00%. 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 6.00%, 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	\$ 58,862,398	\$ 44,605,280	\$ 32,856,772

**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 6.00%, 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	\$ 4,151,348	\$ 2,474,865	\$ 1,063,058

**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	\$ 1,036,355	\$ 2,474,865	\$ 4,089,620

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 2022 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 and Section 147c2 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, 2023 or any of the prior three years.

**NOTE 9 - TRANSFERS AND INTERFUND RECEIVABLES AND PAYABLES**

The special education fund transferred \$774,614 and the career technical education fund transferred \$150,000 to the general fund for indirect cost reimbursements. The special education fund transferred \$1,000,000, and the general fund transferred \$40,000 to the capital projects funds for capital asset purchases.

There were no interfund payable or receivable balances at June 30, 2023.

**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:

Municipality	Taxes Abated
City of Greenville	\$ 47,713
Broomfield Township	8,289
	\$ 56,002

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 PRONOUNCEMENTS**

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

**NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

**Summary:**

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. 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.

There was no material impact on the District's financial statements after the adoption of GASB Statement No. 96.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local sources	\$ 555,325	\$ 647,028	\$ 963,425	\$ 316,397
State sources	6,340,199	9,289,772	7,211,127	(2,078,645)
Federal sources	421,969	914,193	502,817	(411,376)
Interdistrict sources and other	1,597,353	1,282,629	707,929	(574,700)
<b>TOTAL REVENUES</b>	<b>8,914,846</b>	<b>12,133,622</b>	<b>9,385,298</b>	<b>(2,748,324)</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic programs	1,160,165	989,367	964,052	25,315
Added needs	32,526	-	-	-
<b>Total instruction</b>	<b>1,192,691</b>	<b>989,367</b>	<b>964,052</b>	<b>25,315</b>
Supporting services				
Pupil	785,295	1,510,445	1,103,334	407,111
Instructional staff	1,510,647	1,246,235	1,239,132	7,103
General administration	445,313	422,737	417,702	5,035
Business	997,429	1,072,056	1,058,451	13,605
Operation and maintenance	442,155	502,450	459,008	43,442
Pupil transportation	2,250	3,577	112	3,465
Central services	802,327	968,687	939,855	28,832
Other services	-	89,183	-	89,183
<b>Total supporting services</b>	<b>4,985,416</b>	<b>5,815,370</b>	<b>5,217,594</b>	<b>597,776</b>
Community services	527,107	555,333	365,318	190,015
Interdistrict transactions	2,907,378	5,468,942	3,508,276	1,960,666
Capital outlay	47,000	161,747	161,197	550
Debt service				
Principal	27,002	22,102	21,380	722
Interest and fiscal charges	3,528	3,528	3,528	-
<b>Total debt service</b>	<b>30,530</b>	<b>25,630</b>	<b>24,908</b>	<b>722</b>
<b>TOTAL EXPENDITURES</b>	<b>9,690,122</b>	<b>13,016,389</b>	<b>10,241,345</b>	<b>2,775,044</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(775,276)</b>	<b>(882,767)</b>	<b>(856,047)</b>	<b>26,720</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	660,276	932,767	924,614	(8,153)
Transfers out	-	-	(40,000)	(40,000)
Sale of capital assets	-	-	190	190
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>660,276</b>	<b>932,767</b>	<b>884,804</b>	<b>(47,963)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (115,000)</b>	<b>\$ 50,000</b>	<b>28,757</b>	<b>\$ (21,243)</b>
<b>FUND BALANCE</b>				
Beginning of year			1,655,559	
End of year			<u>\$ 1,684,316</u>	

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL EDUCATION FUND  
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local sources	\$ 11,082,475	\$ 12,753,438	\$ 12,745,326	\$ (8,112)
State sources	7,120,811	10,020,640	9,948,067	(72,573)
Federal sources	4,416,524	5,153,810	4,279,510	(874,300)
Interdistrict sources	66,500	98,939	133,210	34,271
Other	-	-	14,738	14,738
<b>TOTAL REVENUES</b>	<b>22,686,310</b>	<b>28,026,827</b>	<b>27,120,851</b>	<b>(905,976)</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic programs	6,671,187	7,058,699	6,856,631	202,068
Total instruction	6,671,187	7,058,699	6,856,631	202,068
Supporting services				
Pupil	7,910,628	8,834,404	7,949,842	884,562
Instructional staff	1,270,265	1,234,783	1,399,413	(164,630)
General administration	29,000	31,600	35,137	(3,537)
Business	12,000	7,000	3,773	3,227
Operation and maintenance	673,422	832,625	788,367	44,258
Pupil transportation	1,953,395	2,094,107	1,967,484	126,623
Central services	319,379	401,304	398,047	3,257
Total supporting services	12,168,089	13,435,823	12,542,063	893,760
Community services	1,636	88,699	73,450	15,249
Interdistrict transactions	2,419,110	3,161,563	2,947,807	213,756
Capital outlay	322,000	351,658	359,155	(7,497)
Debt service				
Principal	77,591	75,209	75,207	2
Interest and fiscal charges	12,409	12,409	12,409	-
Total debt service	90,000	87,618	87,616	2
<b>TOTAL EXPENDITURES</b>	<b>21,672,022</b>	<b>24,184,060</b>	<b>22,866,722</b>	<b>1,317,338</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,014,288</b>	<b>3,842,767</b>	<b>4,254,129</b>	<b>411,362</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(764,288)	(1,842,767)	(1,774,614)	68,153
Sale of capital assets	-	-	9,947	9,947
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(764,288)</b>	<b>(1,842,767)</b>	<b>(1,764,667)</b>	<b>78,100</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 250,000</b>	<b>\$ 2,000,000</b>	<b>2,489,462</b>	<b>\$ 489,462</b>
<b>FUND BALANCE</b>				
Beginning of year			7,881,430	
End of year			<u><u>\$ 10,370,892</u></u>	

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
CAREER TECHNICAL EDUCATION FUND  
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local sources	\$ 2,100,200	\$ 2,142,326	\$ 2,132,913	\$ (9,413)
State sources	538,287	847,409	750,131	(97,278)
Federal sources	186,885	203,727	198,697	(5,030)
Interdistrict sources	115,000	73,500	73,500	-
<b>TOTAL REVENUES</b>	<u>2,940,372</u>	<u>3,266,962</u>	<u>3,155,241</u>	<u>(111,721)</u>
<b>EXPENDITURES</b>				
Current				
Instruction				
Added needs	1,549,378	1,850,014	1,781,674	68,340
Supporting services				
Pupil	136,641	194,814	193,547	1,267
Instructional staff	213,008	288,224	225,240	62,984
General administration	7,000	8,500	7,453	1,047
School administration	143,490	190,811	186,827	3,984
Business	700	700	496	204
Operation and maintenance	435,801	480,697	458,664	22,033
Pupil transportation	-	-	13,355	(13,355)
Central services	134,054	156,684	149,853	6,831
Total supporting services	<u>1,070,694</u>	<u>1,320,430</u>	<u>1,235,435</u>	<u>84,995</u>
Interdistrict transactions	6,300	15,750	-	15,750
Capital outlay	42,000	100,046	94,037	6,009
Debt service				
Principal	57,692	56,414	56,413	1
Interest and fiscal charges	9,308	9,308	9,308	-
Total debt service	<u>67,000</u>	<u>65,722</u>	<u>65,721</u>	<u>1</u>
<b>TOTAL EXPENDITURES</b>	<u>2,735,372</u>	<u>3,351,962</u>	<u>3,176,867</u>	<u>175,095</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>205,000</u>	<u>(85,000)</u>	<u>(21,626)</u>	<u>63,374</u>
<b>OTHER FINANCING (USES)</b>				
Transfers out	(125,000)	(150,000)	(150,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 80,000</u>	<u>\$ (235,000)</u>	<u>(171,626)</u>	<u>\$ 63,374</u>
<b>FUND BALANCE</b>				
Beginning of year			1,608,814	
End of year			<u>\$ 1,437,188</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>2022</u>	<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 (%)	0.11860%	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	\$ 44,605,280	\$ 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	\$ 11,253,035	\$ 11,223,049	\$ 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 (%)	396.38%	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)	60.77%	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>2023</u>	<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	\$ 5,445,509	\$ 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>5,445,509</u>	<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>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 12,070,283	\$ 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	45.12%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.11685%	0.12433%	0.12276%	0.11978%	0.11868%	0.11304%
Reporting Unit's proportionate share of net OPEB liability	\$ 2,474,865	\$ 1,897,719	\$ 6,576,579	\$ 8,597,832	\$ 9,433,795	\$ 10,010,278
Reporting Unit's covered-employee payroll	\$ 11,253,035	\$ 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 (%)	21.99%	16.98%	60.92%	81.85%	93.56%	104.40%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	83.09%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,007,582	\$ 934,808	\$ 972,827	\$ 913,380	\$ 862,647	\$ 874,320
Contributions in relation to statutorily required contributions	<u>1,007,582</u>	<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>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 12,070,283	\$ 11,223,049	\$ 11,083,546	\$ 10,703,285	\$ 10,505,068	\$ 9,869,872
Contributions as a percentage of covered-employee payroll	8.35%	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, 2023**

**NOTE 1 - PENSION INFORMATION**

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

**NOTE 2 - OPEB INFORMATION**

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate decreased to 6.00% from 6.95%.

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Program Title	Federal Assistance Listing Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipient
<b><u>U.S. Department of Education</u></b>								
Passed through Michigan Department of Education								
Special Education Cluster								
Special Education Grants to States								
220450-2122	84.027A	\$ 3,452,605	\$ 812,402	\$ 3,108,891	\$ 343,715	\$ 1,156,117	\$ -	\$ 17,899
220493-2122	84.027A	142,600	20,614	142,600	-	20,614	-	-
230450-2223	84.027A	3,552,385	-	-	3,243,731	2,573,047	670,684	-
230493-2223	84.027A	156,900	-	-	156,900	152,627	4,273	-
COVID-19 221280-2122	84.027X	698,001	-	-	134,075	95,522	38,553	-
Total ALN 84.027		8,002,491	833,016	3,251,491	3,878,421	3,997,927	713,510	17,899
Special Education Preschool Grants								
230460-2223	84.173A	110,954	-	-	110,954	20,375	90,579	-
220460-2122	84.173A	106,499	79,204	106,499	-	79,204	-	75,110
COVID-19 221285-2122	84.173X	54,416	54,416	54,416	-	54,416	-	38,376
Total ALN 84.173		271,869	133,620	160,915	110,954	153,995	90,579	113,486
Total Special Education Cluster		8,274,360	966,636	3,412,406	3,989,375	4,151,922	804,089	131,385
Special Education - Grants for Infants and Families								
231340-2223	84.181A	118,297	-	-	118,297	118,297	-	-
221340-2122	84.181A	114,399	16,842	114,399	-	16,842	-	-
COVID-19 221283-EOARP	84.181X	55,606	1,291	1,291	52,594	49,646	4,239	-
Total ALN 84.181		288,302	18,133	115,690	170,891	184,785	4,239	-
Education for Homeless Children and Youth								
232320-2223	84.196	87,945	-	-	48,268	43,197	5,071	-
222320-2122	84.196	127,555	14,225	80,614	32,458	46,683	-	-
Total ALN 84.196		215,500	14,225	80,614	80,726	89,880	5,071	-
Education for Homeless Children and Youth								
211010-2122	84.425W	69,703	-	-	22,943	-	22,943	-
COVID-19 Pandemic EBT Local Level Costs								
220980-2022	10.649	628	-	-	628	628	-	-

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, 2023**

Federal Grantor/Program Title	Federal Assistance Listing Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipient
<b><u>U.S. Department of Education (continued)</u></b>								
Passed through Gratiot-Isabella RESD								
Career and Technical Education - Basic Grants to States								
223520-211210	84.048A	\$ 193,555	\$ -	\$ -	\$ 188,525	\$ 169,797	\$ 18,728	\$ -
233520-211210	84.048A	184,834	35,143	184,834	-	35,143	-	-
Total ALN 84.048		378,389	35,143	184,834	188,525	204,940	18,728	-
Passed through Calhoun ISD								
Title I Grants to Local Educational Agencies								
231580	84.010	50,000	-	-	50,000	-	50,000	-
Total U.S. Department of Education		9,276,882	1,034,137	3,793,544	4,503,088	4,632,155	905,070	131,385
<b><u>U.S. Department of Health and Human Services</u></b>								
Direct Programs								
Drug Free Communities Support Program Grants								
DFC - 2122	93.276	224,618	28,594	109,385	151,378	175,577	4,395	-
C3 Block Grants for Prevention & Treatment of Substance Abuse								
C3 Block Grant	93.959	96,445	1,395	3,555	34,464	33,359	2,500	-
Passed through Michigan Department of Community Health								
Medicaid Cluster								
Medical Assistance Program	93.778	80,000	-	-	105,370	105,370	-	-
Passed through Michigan Department of Education								
Every Student Succeeds Act/Preschool Development Grants								
223910-3.622	93.434	32,500	4,083	24,144	8,356	10,679	1,760	-
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	38,650	210,000	-	38,650	-	-
COVID-19 HRA Grant	93.323	224,000	-	-	136,244	92,649	43,595	-
Total ALN 93.323		434,000	38,650	210,000	136,244	131,299	43,595	-
Passed through the Michigan Association of United Way								
CCDF Cluster								
Child Development and Care Block Grant	93.575	1,020	1,020	1,020	-	1,020	-	-
Total U.S. Department of Health and Human Services		868,583	73,742	348,104	435,812	457,304	52,250	-

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, 2023**

Federal Grantor/Program Title	Federal Assistance Listing Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipient
<u>U.S. Department of Treasury</u>								
Passed through Michigan Department of Education								
COVID-19 Coronavirus State and Local Fiscal Recovery Funds								
ARP-GSRP								
222390-2122	21.027	\$ 391,500	\$ 376,963	\$ 376,963	\$ 14,537	\$ 391,500	\$ -	\$ 357,325
Total U.S. Department of Treasury		<u>391,500</u>	<u>376,963</u>	<u>376,963</u>	<u>14,537</u>	<u>391,500</u>	<u>-</u>	<u>357,325</u>
Total Federal Awards		<u>\$ 10,536,965</u>	<u>\$ 1,484,842</u>	<u>\$ 4,518,611</u>	<u>\$ 4,953,437</u>	<u>\$ 5,480,959</u>	<u>\$ 957,320</u>	<u>\$ 488,710</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, 2023**

Federal Grantor/Program Title/Subrecipient Name	Grant/Project Number	Federal Assistance Listing Number	Award Amount	Due to Subrecipient 7/1/2022	Subrecipient Current Year Expenditures	Current Year Cash Transferred to Subrecipient	Due to Subrecipient 6/30/2023
<u>U.S. Department of Education</u>							
Passed through Michigan Department of Education							
Grants to States							
IDEA Part B							
Success Virtual Learning	230450-2122	84.027A	\$ 17,899	\$ 17,899	\$ -	\$ 17,899	\$ -
Success Virtual Learning	230450-2223	84.027A	25,934	-	25,934	-	25,934
Total IDEA Flowthrough Grants			<u>43,833</u>	<u>17,899</u>	<u>25,934</u>	<u>17,899</u>	<u>25,934</u>
Special Education Cluster							
Special Education Preschool Grants							
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	11,022	11,022	-	11,022	-
Greenville Public Schools	230460-2223	84.173X	53,166	-	53,166	-	53,166
Tri County Area Schools	230460-2223	84.173X	37,413	-	37,413	-	37,413
Total Special Education Cluster			<u>204,065</u>	<u>113,486</u>	<u>90,579</u>	<u>113,486</u>	<u>90,579</u>
Total U.S. Department of Education			<u>247,898</u>	<u>131,385</u>	<u>116,513</u>	<u>131,385</u>	<u>116,513</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	222390-2122	21.027	278,600	277,725	-	277,725	-
Carson City Crystal Public Schools	222390-2122	21.027	79,600	79,600	-	79,600	-
Total ARP-GSRP			<u>358,200</u>	<u>357,325</u>	<u>-</u>	<u>357,325</u>	<u>-</u>
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds			<u>358,200</u>	<u>357,325</u>	<u>-</u>	<u>357,325</u>	<u>-</u>
Total Federal Awards Pass-through Amounts			<u>\$ 606,098</u>	<u>\$ 488,710</u>	<u>\$ 116,513</u>	<u>\$ 488,710</u>	<u>\$ 116,513</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, 2023**

**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, 2023. 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	\$ 502,817
Special education fund	4,279,510
Career technical education fund	<u>198,697</u>
Federal revenue per financial statements	4,981,024
Less: federal QZAB interest subsidy	<u>(27,587)</u>
Total federal expenditures	<u><u>\$ 4,953,437</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, 2023, 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 September 1, 2023.

**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*

September 1, 2023



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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, 2023. 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, 2023.

***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 Costain PC*

September 1, 2023

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Section I - Summary of Auditor's Results**

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**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**

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None

**Section III - Federal Award Findings and Questioned Costs**

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None

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

There were no audit findings in the prior two years.



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September 1, 2023

To the Board of Education  
Montcalm Area Intermediate School District

In planning and performing our audit of the financial statements of Montcalm Area Intermediate School District as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Montcalm Area Intermediate School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated September 1, 2023 on the financial statements of Montcalm Area Intermediate School District. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control, or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

### **Budget Noncompliance**

For the year ended June 30, 2023, the District's budget reflects an estimated increase in fund balance that is greater than actual increase in fund balance. In accordance with the Uniform Budgeting and Accounting Act, districts are required to amend the budget prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues will be less than anticipated or so that expenditures will not be in excess of previous estimates. Our recommendation is the District should review budgeting procedures to ensure amendments are properly made and revenue and expenditures are maintained within the appropriate budget.

This report is intended solely for the information and use of management and others within the District and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Maner Costerisan PC*



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September 1, 2023

To the Board of Education  
Montcalm Area Intermediate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montcalm Area Intermediate School District for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Montcalm Area Intermediate School District are described in Note 1 to the financial statements. During the fiscal year 2023, the District implemented Governmental Accounting Standard No. 96, *Subscription-Based Information Technology Arrangements*. The application of existing policies was not changed during fiscal year 2023. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

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

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 1, 2023.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

#### Other Matters

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

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

Restriction on Use

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

Very truly yours,

*Maney Costeiran PC*