

**MONTCALM AREA INTERMEDIATE
SCHOOL DISTRICT**

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

YEAR ENDED JUNE 30, 2025

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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, 2025, 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, 2025, 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.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2025 on our consideration of Montcalm Area Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Montcalm Area Intermediate School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montcalm Area Intermediate School District's internal control over financial reporting and compliance.

Maney Costeiran PC

October 13, 2025

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, 2025. 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

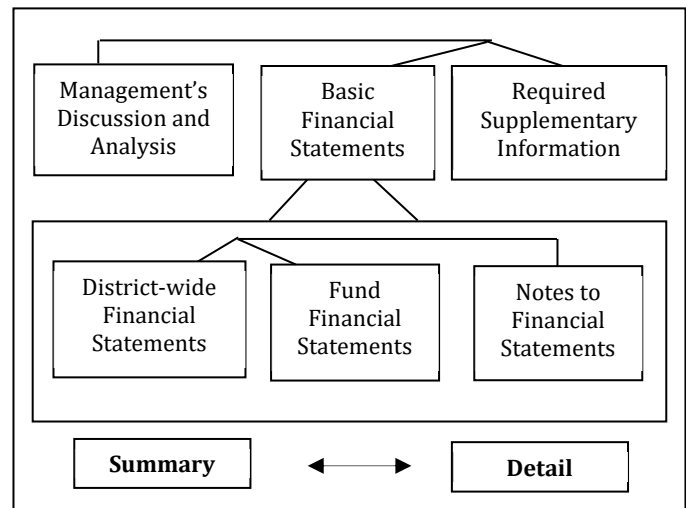
- Total **General Education Fund** revenues and other financing sources were \$13.93 million and expenditures and other financing uses were \$13.45 million. At June 30, 2025, the fund balance in the general fund was \$2,756,584. This is an increase of \$472,072 from the 2024-2025 fiscal year.
- Total **Special Education Fund** revenues and other financing sources were \$28.86 million and expenditures and other financing uses were \$27.33 million. At June 30, 2025, the fund balance in the special education fund was \$11,961,759. This is an increase of \$1,534,576 from the 2024-2025 fiscal year.
- Total **Career Technical Education Fund** revenues and other financing sources were \$3.54 million and expenditures and other financing uses were \$3.63 million. At June 30, 2025, the fund balance in the career technical education fund was \$1,128,260. This is a decrease of \$88,091 from the 2024-2025 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds* statements tell how basic services like general and special education were financed in the short-term as well as what remains for future spending.

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



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

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

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

DISTRICT-WIDE STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has one type of fund:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-3		
Montcalm Area Intermediate School District's Net Position		
	2025	2024*
Current and other assets	\$ 37,938,183	\$ 32,126,387
Net other postemployment benefits asset	5,280,853	705,066
Capital assets	5,543,923	4,979,956
Total assets	<u>48,762,959</u>	<u>37,811,409</u>
Deferred outflows of resources	<u>11,253,148</u>	<u>14,888,184</u>
Other liabilities	10,056,532	9,764,883
Noncurrent liabilities	671,293	421,399
Net pension liability	30,323,414	39,199,210
Total liabilities	<u>41,051,239</u>	<u>49,385,492</u>
Deferred inflows of resources	<u>17,768,666</u>	<u>13,277,738</u>
Net position		
Net investment in capital assets	5,537,714	4,783,462
Restricted for net other postemployment benefits	5,280,853	705,066
Unrestricted	<u>(9,622,365)</u>	<u>(15,452,165)</u>
Total net position	<u>\$ 1,196,202</u>	<u>\$ (9,963,637)</u>

*The 2024 numbers have not been updated for the adoption of GASB 101.

Table A-4		
Changes in Montcalm Area Intermediate School District's Net Position		
	2025	2024*
Revenues		
Program revenues		
Charges for services	\$ 3,216	\$ 13,017
Operating grants and contributions	26,121,605	25,036,974
General revenues		
Property taxes	14,621,386	13,540,046
State sources - unrestricted	936,293	1,128,569
Other	4,511,283	4,485,905
Total revenues	<u>46,193,783</u>	<u>44,204,511</u>
Expenses		
Instruction	6,808,300	9,020,900
Support services	18,528,414	19,162,287
Community services	245,821	448,107
Interdistrict transactions	8,929,521	8,307,719
Interest on long-term debt	7,788	15,427
Student/school activities	129,403	85,369
Total expenses	<u>34,649,247</u>	<u>37,039,809</u>
Change in net position	<u>\$ 11,544,536</u>	<u>\$ 7,164,702</u>

*The 2024 numbers have not been updated for the adoption of GASB 101.

District Governmental Activities:

The following factors have positively influenced Montcalm Area ISD’s financial status at June 30, 2025.

- The General Fund experienced an increase in fund balance of \$472,072.
- The General Fund experienced in 2024-2025 a 5.35% 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 \$28,111,624 which is \$5,420,036 more than last year’s combined ending fund balance of \$22,691,588. The changes in fund balances are as follows:

Table A-5 Changes in Montcalm Area Intermediate School District's Fund Balances						
	General Fund	Special Education	Career Technical Education	Capital Projects	Nonmajor Student/ School Activities	Total Governmental Funds
Fund balance, beginning of year	\$ 2,284,512	\$ 10,427,183	\$ 1,216,351	\$ 8,631,390	\$ 132,152	\$ 22,691,588
Increase (decrease)	472,072	1,534,576	(88,091)	3,499,051	2,428	5,420,036
Fund balance, end of year	<u>\$ 2,756,584</u>	<u>\$ 11,961,759</u>	<u>\$ 1,128,260</u>	<u>\$ 12,130,441</u>	<u>\$ 134,580</u>	<u>\$ 28,111,624</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 \$12,952,722, which is more than the original budget estimate of \$12,386,035 and less than the final amended budget of \$15,127,439. The variance of \$2,174,717 is within 14.38% of the final budgeted amount.
- Actual general fund expenditures were \$13,254,170, which is more than the original budget estimate of \$13,156,035 and less than the final amended budget of \$15,619,357. The variance of \$2,365,187 is within 15.14% of the final budgeted amount.

Special Education Fund:

- The special education fund actual revenues were \$28,810,673, which was more than the original budget estimate of \$27,952,427 and less than the final amended budget of \$29,352,968. The variance of \$542,295 is within 1.85% of the final budgeted amount.
- Actual special education fund expenditures were \$23,504,549 which is less than the original budget estimate of \$25,425,711 and less than the final amended budget of \$25,062,818. The variance of \$1,558,269 is within 6.22% of the final budgeted amount.

Career Technical Education Fund:

- The career technical education fund actual revenues were \$3,486,348 which is less than the original budget estimate of \$3,652,696 and less than the final amended budget of \$3,510,883. The variance of \$24,535 is within 0.70% of the final budgeted amount.
- Actual career technical education fund expenditures were \$3,449,668, which was less than the original budget estimate of \$3,602,696 and less than the final amended budget of \$3,506,090. The variance of \$56,422 is within 1.61% of the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	2025	2024
Land	\$ 95,976	\$ 140,476
Buildings and improvements	13,008,254	12,897,575
Furniture and equipment	2,510,829	2,310,682
Transportation equipment	4,060,311	3,948,101
Total	19,675,370	19,296,834
Less accumulated depreciation	14,131,447	14,316,878
Net capital assets	\$ 5,543,923	\$ 4,979,956

Debt

As of June 30, 2025, the District had \$0 outstanding on the Energy Conservation bonds, compared to \$153,000 outstanding at the end of the prior year. The District repaid \$153,000 of principal during fiscal year 2024-2025.

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 2025-2026 fiscal year budget. The most important factors affecting the operating budget are the economic condition of the State and new legislation. The 2025-2026 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 is unknown as we did not have a projected budget from the State, and the proposed budgets were way different from each other.

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 Katie Flynn, 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, 2025**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 31,292,625
Receivables	
Accounts receivable	1,342
Taxes receivable	2,407
Intergovernmental receivables	6,246,753
Inventories	98,492
Prepays	296,564
Net other postemployment benefits asset	5,280,853
Capital assets not being depreciated	95,976
Capital assets, net of accumulated depreciation	<u>5,447,947</u>
TOTAL ASSETS	<u>48,762,959</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	1,483,475
Related to pension	<u>9,769,673</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,253,148</u>
LIABILITIES	
Accounts payable	355,143
Accrued salaries and related items	1,200,560
Accrued retirement	774,053
Intergovernmental payable	3,541,867
Unearned revenue	3,954,936
Noncurrent liabilities	
Due within one year	229,973
Due in more than one year	671,293
Net pension liability	<u>30,323,414</u>
TOTAL LIABILITIES	<u>41,051,239</u>
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	7,077,501
Related to pension	9,038,193
Related to state aid funding for pension	<u>1,652,972</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>17,768,666</u>
NET POSITION	
Net investment in capital assets	5,537,714
Restricted for net other postemployment benefits	5,280,853
Unrestricted	<u>(9,622,365)</u>
TOTAL NET POSITION	<u><u>\$ 1,196,202</u></u>

See notes to financial statements.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

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	\$ 6,808,300	\$ -	\$ 5,104,807	\$ (1,703,493)
Support services	18,528,414	-	15,357,739	(3,170,675)
Community services	245,821	3,216	336,974	94,369
Interdistrict transactions	8,929,521	-	5,190,254	(3,739,267)
Student/school activities	129,403	-	131,831	2,428
Interest on long-term debt	7,788	-	-	(7,788)
Total governmental activities	<u>\$ 34,649,247</u>	<u>\$ 3,216</u>	<u>\$ 26,121,605</u>	<u>(8,524,426)</u>
General revenues				
Property taxes, levied for general purposes				580,331
Property taxes, levied for special education				11,667,532
Property taxes, levied for career technical education				2,373,523
Investment earnings				674,716
State sources - unrestricted				936,293
Other				3,836,567
Total general revenues				<u>20,068,962</u>
CHANGE IN NET POSITION				<u>11,544,536</u>
NET POSITION, beginning of year, as previously reported				(9,963,637)
Adjustment to beginning net position				<u>(384,697)</u>
NET POSITION, beginning of year, as restated				<u>(10,348,334)</u>
NET POSITION, end of year				<u>\$ 1,196,202</u>

See notes to financial statements.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	Special Education	Career Technical Education	Capital Projects Funds	Nonmajor Student/School Activities	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 7,258,138	\$ 10,569,837	\$ 1,199,950	\$ 12,130,441	\$ 134,259	\$ 31,292,625
Receivables						
Accounts receivable	107	140	22	-	1,073	1,342
Taxes receivable	114	2,293	-	-	-	2,407
Intergovernmental receivables	2,794,067	3,308,346	143,740	-	600	6,246,753
Inventories	-	-	98,492	-	-	98,492
Prepays	287,132	4,950	4,482	-	-	296,564
TOTAL ASSETS	\$ 10,339,558	\$ 13,885,566	\$ 1,446,686	\$ 12,130,441	\$ 135,932	\$ 37,938,183
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 133,639	\$ 204,419	\$ 15,877	\$ -	\$ 1,208	\$ 355,143
Accrued salaries and related items	11,152	941,202	248,206	-	-	1,200,560
Accrued retirement	543,366	181,331	49,356	-	-	774,053
Intergovernmental payable	3,181,535	359,787	401	-	144	3,541,867
Unearned revenue	3,713,282	237,068	4,586	-	-	3,954,936
TOTAL LIABILITIES	7,582,974	1,923,807	318,426	-	1,352	9,826,559
FUND BALANCES						
Nonspendable						
Inventories	-	-	98,492	-	-	98,492
Prepays	287,132	4,950	4,482	-	-	296,564
Restricted for:						
Special education	-	11,956,809	-	-	-	11,956,809
Career technical education	-	-	1,025,286	-	-	1,025,286
Committed for student/school activities	-	-	-	-	134,580	134,580
Assigned for:						
Capital projects	-	-	-	12,130,441	-	12,130,441
Unassigned						
General fund	2,469,452	-	-	-	-	2,469,452
TOTAL FUND BALANCES	2,756,584	11,961,759	1,128,260	12,130,441	134,580	28,111,624
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,339,558	\$ 13,885,566	\$ 1,446,686	\$ 12,130,441	\$ 135,932	\$ 37,938,183

See notes to financial statements.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total governmental fund balances		\$ 28,111,624
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - related to pension	\$ 9,769,673	
Deferred outflows of resources - related to other postemployment benefits	1,483,475	
Deferred inflows of resources - related to pension	(9,038,193)	
Deferred inflows of resources - related to other postemployment benefits	(7,077,501)	
Deferred inflows of resources - related to state funding for pension	<u>(1,652,972)</u>	
		(6,515,518)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		
Noncurrent assets at year-end consist of:		
Net other postemployment benefits asset		5,280,853
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	19,675,370	
Accumulated depreciation is	<u>(14,131,447)</u>	
		5,543,923
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		(6,209)
Compensated absences		(895,057)
Net pension liability		<u>(30,323,414)</u>
Net position of governmental activities		<u><u>\$ 1,196,202</u></u>

MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	Special Education	Career Technical Education	Capital Projects Funds	Nonmajor Student/School Activities	Total Governmental Funds
REVENUES						
Local sources	\$ 860,476	\$ 14,162,340	\$ 2,430,724	\$ 2,430	\$ 131,831	\$ 17,587,801
State sources	9,592,679	10,105,132	772,533	-	-	20,470,344
Federal sources	1,056,202	4,398,741	194,091	-	-	5,649,034
Interdistrict sources	1,443,365	119,763	89,000	-	-	1,652,128
Other	-	24,697	-	-	-	24,697
TOTAL REVENUES	12,952,722	28,810,673	3,486,348	2,430	131,831	45,384,004
EXPENDITURES						
Current						
Instruction	943,844	5,870,721	1,960,408	-	-	8,774,973
Supporting services	5,739,351	13,215,790	1,279,011	-	-	20,234,152
Community services	465,161	24,702	14,991	-	-	504,854
Interdistrict transactions	5,803,944	3,134,386	9,017	-	-	8,947,347
Student/school activities	-	-	-	-	129,403	129,403
Capital outlay	279,198	1,179,026	126,647	69,010	-	1,653,881
Debt service						
Principal	21,380	75,207	56,413	-	-	153,000
Interest and fiscal charges	1,292	4,717	3,181	-	-	9,190
TOTAL EXPENDITURES	13,254,170	23,504,549	3,449,668	69,010	129,403	40,406,800
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(301,448)	5,306,124	36,680	(66,580)	2,428	4,977,204
OTHER FINANCING SOURCES (USES)						
Transfers in	904,207	-	-	3,300,000	-	4,204,207
Transfers out	(200,000)	(3,822,596)	(181,611)	-	-	(4,204,207)
Proceeds from sale of capital assets	69,313	51,048	56,840	265,631	-	442,832
TOTAL OTHER FINANCING SOURCES (USES)	773,520	(3,771,548)	(124,771)	3,565,631	-	442,832
NET CHANGE IN FUND BALANCES	472,072	1,534,576	(88,091)	3,499,051	2,428	5,420,036
FUND BALANCES						
Beginning of year	2,284,512	10,427,183	1,216,351	8,631,390	132,152	22,691,588
End of year	\$ 2,756,584	\$ 11,961,759	\$ 1,128,260	\$ 12,130,441	\$ 134,580	\$ 28,111,624

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, 2025**

Net change in fund balances total governmental funds \$ 5,420,036

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	(909,879)
Capital outlay	1,613,504
Proceeds from sale of capital assets	(139,658)

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	1,402
Accrued interest payable, end of the year	-

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 bonded long term obligations	190,285
--	---------

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated absences, beginning of the year, as restated	938,284
Compensated absences, end of the year	(895,057)

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	2,040,884
Pension related items	2,478,046

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	2,459,661
Pension related items, end of year	<u>(1,652,972)</u>

Change in net position of governmental activities \$ 11,544,536

**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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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

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

- 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.

**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)

- 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, 2025. 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.
- 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.

**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)

- 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.

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

**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)

Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit asset, 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 assets 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 assets 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.

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.

**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)

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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

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, 2025, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
General education	0.1695
Special revenue funds	
Special education	3.4078
Career technical education	1.3090

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. 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, 2025, 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, 2025, \$27,588,692 of the District's bank balance of \$27,838,692 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 \$27,745,246.

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	\$ 3,547,379	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	\$ 3,547,379	AAAm	Standard & Poor's

Foreign Currency Risk

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

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

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

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

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

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties.

These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment Pool - Max	\$ 3,547,379

The carrying amount of cash and cash equivalents and investments as of June 30, 2025 are as follows:

Cash and cash equivalents	\$ 27,745,246
Investments	3,547,379
	\$ 31,292,625

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

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

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governmental units at June 30, 2025 consist of the following:

Other governmental units	
State aid	\$ 3,827,531
Federal grants	1,919,816
Other	<u>499,406</u>
	<u><u>\$ 6,246,753</u></u>

No allowance for doubtful accounts is considered necessary based on previous experience.

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Governmental activities				
Capital assets, not being depreciated				
Land	<u>\$ 140,476</u>	<u>\$ -</u>	<u>\$ 44,500</u>	<u>\$ 95,976</u>
Capital assets, being depreciated				
Buildings and improvements	12,897,575	464,880	354,201	13,008,254
Furniture and equipment	2,310,682	264,951	64,804	2,510,829
Transportation equipment	<u>3,948,101</u>	<u>883,673</u>	<u>771,463</u>	<u>4,060,311</u>
Total capital assets, being depreciated	<u>19,156,358</u>	<u>1,613,504</u>	<u>1,190,468</u>	<u>19,579,394</u>
Accumulated depreciation				
Buildings and improvements	9,782,506	379,759	354,201	9,808,064
Furniture and equipment	1,610,860	166,586	60,571	1,716,875
Transportation equipment	<u>2,923,512</u>	<u>363,534</u>	<u>680,538</u>	<u>2,606,508</u>
Total accumulated depreciation	<u>14,316,878</u>	<u>909,879</u>	<u>1,095,310</u>	<u>14,131,447</u>
Net capital assets being depreciated	<u>4,839,480</u>	<u>703,625</u>	<u>95,158</u>	<u>5,447,947</u>
Net governmental capital assets	<u><u>\$ 4,979,956</u></u>	<u><u>\$ 703,625</u></u>	<u><u>\$ 139,658</u></u>	<u><u>\$ 5,543,923</u></u>

The District allocated depreciation to the various activities as follows:

Governmental activities	
Instruction	\$ 600,520
Support services	300,260
Community services	<u>9,099</u>
	<u><u>\$ 909,879</u></u>

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

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2025:

	Compensated Absences*	Notes from Direct Borrowings and Direct Placements <u>2010 Energy Conservation Bonds</u>	Financed Purchase Agreement	Total
Balance, July 1, 2024, as restated	\$ 938,284	\$ 153,000	\$ 43,494	\$ 1,134,778
Deletions	<u>43,227</u>	<u>153,000</u>	<u>37,285</u>	<u>233,512</u>
Balance, June 30, 2025	895,057	-	6,209	901,266
Due within one year	<u>223,764</u>	<u>-</u>	<u>6,209</u>	<u>229,973</u>
Due in more than one year	<u>\$ 671,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 671,293</u>

*The change in the compensated absences liability is presented as a net change.

Long-term obligations at June 30, 2025 are comprised of the following:

Notes from Direct Borrowings and Direct Placements

Financed purchase agreement due in annual installments of \$37,285 1.75% imputed interest, through August 2025.	\$ 6,209
Compensated absences	<u>895,057</u>
Total general long-term obligations	<u>\$ 901,266</u>

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$6,209 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

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

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirement to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2025, are as follows:

Year Ending June 30,	Notes from Direct Borrowings and Direct Placements Principal	Compensated Absences	Total
2026	\$ 6,209	\$ -	\$ 6,209
Compensated absences	-	895,057	895,057
	\$ 6,209	\$ 895,057	\$ 901,266

Interest expense for the year ended June 30, 2025 was approximately \$8,400.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

New employees hired between February 1, 2018, and June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant to the DC Plan; if no election is made they will default to the DC Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Pension Reform of 2023

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant in the DC Plan; if no election is made they will remain in the Pension Plus 2 Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012 (continued)

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 their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2024, were determined as of the September 30, 2021, actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021, are amortized over a 15-year period beginning October 1, 2023, and ending September 30, 2038.

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

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, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

The District's pension contributions for the year ended June 30, 2025, were equal to the required contribution total. Total pension contributions were approximately \$5,374,000. Of the total pension contributions approximately \$5,222,000 was contributed to fund the Defined Benefit Plan and approximately \$152,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025, were equal to the required contribution total. Total OPEB contributions were approximately \$164,000. Of the total OPEB contributions approximately \$66,000 was contributed to fund the Defined Benefit Plan and approximately \$98,000 was contributed to fund the Defined Contribution Plan.

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

The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023, 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, 2024	September 30, 2023
Total pension liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan fiduciary net position	\$ 71,283,482,728	\$ 62,581,762,238
Net pension liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate share	0.12386%	0.12111%
Net pension liability for the District	\$ 30,323,414	\$ 39,199,210

For the year ended June 30, 2025, the District recognized pension expense of \$2,743,898.

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 1,124,358	\$ 699,985
Differences between expected and actual experience	822,696	329,468
Changes of assumptions	3,161,396	2,221,747
Net difference between projected and actual plan investments earnings	-	5,786,993
Reporting Unit's contributions subsequent to the measurement date	4,661,223	-
	\$ 9,769,673	\$ 9,038,193

\$4,661,223, 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 June 30,	Amount
2026	\$ (930,547)
2027	356,890
2028	(1,923,065)
2029	(1,433,021)
	\$ (3,929,743)

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2023, and rolled-forward using generally accepted actuarial procedures.

The District's proportion of the net OPEB liability (asset) 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, 2024</u>	<u>September 30, 2023</u>
Total other postemployment benefits liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan fiduciary net position	\$ 14,295,943,589	\$ 11,789,347,341
Net other postemployment benefits liability (asset)	\$ (4,304,397,666)	\$ (565,698,392)
Proportionate share	0.12269%	0.12464%
Net other postemployment benefits liability (asset) for the District	\$ (5,280,853)	\$ (705,066)

For the year ended June 30, 2025, the District recognized OPEB benefit of \$1,911,601.

At June 30, 2025, 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	\$ 317,887	\$ 349,109
Differences between expected and actual experience	-	5,596,091
Changes of assumptions	1,153,414	132,575
Net difference between projected and actual plan investments earnings	-	999,726
Reporting Unit's contributions subsequent to the measurement date	<u>12,174</u>	<u>-</u>
	<u>\$ 1,483,475</u>	<u>\$ 7,077,501</u>

\$12,174, 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 (asset) in the subsequent fiscal year.

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Liabilities (Asset), OPEB Expense, 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 June 30,	Amount
2026	\$ (1,804,400)
2027	(1,119,182)
2028	(1,111,379)
2029	(952,097)
2030	(516,108)
2031	(103,034)
	\$ (5,606,200)

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: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-2021 adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience Study - Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023, 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 Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses 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, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% 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 electing two-person coverage are assumed to have coverage continuing after the retiree's death.

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

The target asset allocation at September 30, 2024, 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%	5.3%
International Equity Pools	15.0%	6.5%
Private Equity Pools	16.0%	9.0%
Real Estate and Infrastructure Pools	10.0%	7.1%
Fixed Income Pools	13.0%	2.2%
Absolute Return Pools	9.0%	5.2%
Real Return/Opportunistic Pools	10.0%	6.9%
Short Term Investment Pools	2.0%	1.4%
	<u>100.0%</u>	

* Long-term rates of return are net of administrative expenses and 2.3% 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, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, 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	<u>\$ 44,454,450</u>	<u>\$ 30,323,414</u>	<u>\$ 18,556,607</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability (asset) calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability (asset) 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 (asset)	<u>\$ (4,081,087)</u>	<u>\$ (5,280,853)</u>	<u>\$ (6,318,178)</u>

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) 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 (asset)	\$ (6,318,189)	\$ (5,280,853)	\$ (4,168,316)

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 Annual Comprehensive Financial Report.

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

NOTE 7 - CONTINGENT LIABILITIES

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

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks 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, 2025 or any of the prior three years.

NOTE 9 - TRANSFERS AND INTERFUND RECEIVABLES AND PAYABLES

The special education fund transferred \$822,596 and the career technical education fund transferred \$81,611 to the general fund for indirect cost reimbursements. The special education fund transferred \$3,000,000, the career technical education fund transferred \$100,000, and the general fund transferred \$200,000 to the capital projects funds for capital asset purchases.

There were no interfund payable or receivable balances at June 30, 2025.

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	\$ 302,423
Cato Township	31,212
Broomfield Township	15,534
City of Stanton	1,244
	\$ 350,413

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 April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

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

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*.

Summary: 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.

NOTE 13 - ADJUSTMENTS TO BEGINNING NET POSITION

During fiscal year 2025, changes to beginning net position are as follows:

	<u>Governmental Activities</u>
Net position, as previously reported	\$ (9,963,637)
Change in accounting principle (GASB 101)	<u>(384,697)</u>
Net position, as restated	<u><u>\$ (10,348,334)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 819,447	\$ 869,220	\$ 860,476	\$ (8,744)
State sources	9,407,683	12,001,876	9,592,679	(2,409,197)
Federal sources	729,680	891,928	1,056,202	164,274
Interdistrict sources and other	1,429,225	1,364,415	1,443,365	78,950
TOTAL REVENUES	12,386,035	15,127,439	12,952,722	(2,174,717)
EXPENDITURES				
Current				
Instruction				
Basic programs	970,922	1,029,314	943,844	85,470
Added needs	5,000	-	-	-
Total instruction	975,922	1,029,314	943,844	85,470
Supporting services				
Pupil	1,878,361	2,411,252	1,415,745	995,507
Instructional staff	1,606,694	1,390,782	1,093,832	296,950
General administration	500,817	480,121	456,506	23,615
Business	1,020,367	1,007,845	981,203	26,642
Operation and maintenance	564,510	555,482	501,768	53,714
Pupil transportation	986	9,290	9,165	125
Central services	1,159,754	1,375,982	1,281,132	94,850
Total supporting services	6,731,489	7,230,754	5,739,351	1,491,403
Community services	456,122	647,851	465,161	182,690
Interdistrict transactions	4,848,502	6,409,433	5,803,944	605,489
Capital outlay	120,000	279,198	279,198	-
Debt service				
Principal	22,000	21,381	21,380	1
Interest and fiscal charges	2,000	1,426	1,292	134
Total debt service	24,000	22,807	22,672	135
TOTAL EXPENDITURES	13,156,035	15,619,357	13,254,170	2,365,187
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(770,000)	(491,918)	(301,448)	190,470
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000,000	922,668	904,207	(18,461)
Transfers out	-	(200,000)	(200,000)	-
Sale of capital assets	-	69,250	69,313	63
TOTAL OTHER FINANCING SOURCES (USES)	1,000,000	791,918	773,520	(18,398)
NET CHANGE IN FUND BALANCE	\$ 230,000	\$ 300,000	472,072	\$ 172,072
FUND BALANCE				
Beginning of year			2,284,512	
End of year			<u>\$ 2,756,584</u>	

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 13,674,272	\$ 14,190,967	\$ 14,162,340	\$ (28,627)
State sources	10,093,065	10,125,439	10,105,132	(20,307)
Federal sources	4,143,090	4,898,865	4,398,741	(500,124)
Interdistrict sources	42,000	113,000	119,763	6,763
Other	-	24,697	24,697	-
TOTAL REVENUES	27,952,427	29,352,968	28,810,673	(542,295)
EXPENDITURES				
Current				
Instruction				
Basic programs	6,888,382	6,212,700	5,870,721	341,979
Supporting services				
Pupil	9,071,191	9,099,745	8,533,511	566,234
Instructional staff	1,476,134	1,613,128	1,292,800	320,328
General administration	131,100	141,100	111,670	29,430
Business	500	14,000	13,100	900
Operation and maintenance	737,723	767,502	695,415	72,087
Pupil transportation	2,118,745	2,042,680	1,868,768	173,912
Central services	567,002	741,422	700,526	40,896
Total supporting services	14,102,395	14,419,577	13,215,790	1,203,787
Community services	200	29,629	24,702	4,927
Interdistrict transactions	2,837,734	3,135,912	3,134,386	1,526
Capital outlay	1,520,000	1,181,792	1,179,026	2,766
Debt service				
Principal	70,000	75,208	75,207	1
Interest and fiscal charges	7,000	8,000	4,717	3,283
Total debt service	77,000	83,208	79,924	3,284
TOTAL EXPENDITURES	25,425,711	25,062,818	23,504,549	1,558,269
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,526,716	4,290,150	5,306,124	1,015,974
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,526,716)	(3,841,057)	(3,822,596)	18,461
Sale of capital assets	-	50,907	51,048	141
TOTAL OTHER FINANCING SOURCES (USES)	(1,526,716)	(3,790,150)	(3,771,548)	18,602
NET CHANGE IN FUND BALANCE	\$ 1,000,000	\$ 500,000	1,534,576	\$ 1,034,576
FUND BALANCE				
Beginning of year			10,427,183	
End of year			<u>\$ 11,961,759</u>	

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CAREER TECHNICAL EDUCATION FUND
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 2,477,957	\$ 2,442,396	\$ 2,430,724	\$ (11,672)
State sources	860,333	780,478	772,533	(7,945)
Federal sources	227,906	199,009	194,091	(4,918)
Interdistrict sources	86,500	89,000	89,000	-
TOTAL REVENUES	3,652,696	3,510,883	3,486,348	(24,535)
EXPENDITURES				
Current				
Instruction				
Added needs	2,096,261	1,981,089	1,960,408	20,681
Supporting services				
Pupil	226,881	215,390	212,616	2,774
Instructional staff	281,573	258,092	252,775	5,317
General administration	23,000	11,000	7,000	4,000
School administration	172,497	193,226	187,857	5,369
Business	50	2,550	2,053	497
Operation and maintenance	485,146	462,260	453,506	8,754
Pupil transportation	4,000	1,044	489	555
Central services	174,642	168,289	162,715	5,574
Total supporting services	1,367,789	1,311,851	1,279,011	32,840
Community services	500	15,037	14,991	46
Interdistrict transactions	8,000	11,800	9,017	2,783
Capital outlay	69,146	126,647	126,647	-
Debt service				
Principal	55,000	56,413	56,413	-
Interest and fiscal charges	6,000	3,253	3,181	72
Total debt service	61,000	59,666	59,594	72
TOTAL EXPENDITURES	3,602,696	3,506,090	3,449,668	56,422
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	50,000	4,793	36,680	31,887
OTHER FINANCING (USES)				
Transfers out	(250,000)	(181,611)	(181,611)	-
Sale of capital assets	-	56,818	56,840	22
TOTAL OTHER FINANCING SOURCES (USES)	(250,000)	(124,793)	(124,771)	22
NET CHANGE IN FUND BALANCE	\$ (200,000)	\$ (120,000)	(88,091)	\$ 31,909
FUND BALANCE				
Beginning of year			1,216,351	
End of year			\$ 1,128,260	

**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)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting Unit's proportion of net pension liability (%)	0.12386%	0.12111%	0.11860%	0.12325%	0.12134%	0.11888%	0.11650%	0.11321%	0.10858%	0.10596%
Reporting Unit's proportionate share of net pension liability	\$ 30,323,414	\$ 39,199,210	\$ 44,605,280	\$ 29,179,761	\$ 41,680,682	\$ 39,368,330	\$ 35,021,537	\$ 29,337,003	\$ 27,088,627	\$ 25,881,625
Reporting Unit's covered-employee payroll	\$ 12,896,033	\$ 12,375,156	\$ 11,253,035	\$ 11,223,049	\$ 10,795,055	\$ 10,504,526	\$ 10,083,682	\$ 9,588,168	\$ 9,275,677	\$ 8,860,916
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	235.14%	316.76%	396.38%	261.14%	386.11%	374.77%	347.31%	305.97%	292.04%	292.09%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

**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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions	\$ 5,221,944	\$ 5,061,242	\$ 5,445,509	\$ 3,976,402	\$ 3,644,663	\$ 3,255,035	\$ 3,120,119	\$ 3,066,941	\$ 2,626,416	\$ 2,487,644
Contributions in relation to statutorily required contributions	<u>5,221,944</u>	<u>5,061,242</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 12,776,504	\$ 12,779,214	\$ 12,070,283	\$ 11,223,049	\$ 11,083,546	\$ 10,703,285	\$ 10,505,068	\$ 9,869,872	\$ 9,567,564	\$ 9,162,777
Contributions as a percentage of covered-employee payroll	40.87%	39.61%	45.12%	35.43%	32.88%	30.41%	29.70%	31.07%	27.45%	27.15%

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

	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability (asset) (%)	0.12269%	0.12464%	0.11685%	0.12433%	0.12276%	0.11978%	0.11868%	0.11304%
Reporting Unit's proportionate share of net OPEB liability (asset)	\$ (5,280,853)	\$ (705,066)	\$ 2,474,865	\$ 1,897,719	\$ 6,576,579	\$ 8,597,832	\$ 9,433,795	\$ 10,010,278
Reporting Unit's covered-employee payroll	\$ 12,896,033	\$ 12,375,156	\$ 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 (asset) as a percentage of its covered-employee payroll (%)	40.95%	5.70%	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)	143.08%	105.04%	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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 65,994	\$ 1,071,773	\$ 1,007,582	\$ 934,808	\$ 972,827	\$ 913,380	\$ 862,647	\$ 874,320
Contributions in relation to statutorily required contributions	<u>65,994</u>	<u>1,071,773</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 12,776,504	\$ 12,779,174	\$ 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	0.52%	8.39%	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, 2025**

NOTE 1 - PENSION INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021, actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018, actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017, actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016, actuarial valuation decreased by 0.50 percentage points.

NOTE 2 - OPEB INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2024 - The health care cost trend rate used in the September 30, 2023, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

**MONTCALM AREA INTERMEDIATE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

NOTE 2 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 2022 - The discount rate and investment rate of return used in the September 30, 2021, actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020, actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019, actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018, actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017, actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.



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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, 2025, and the related notes to the financial statements, which collectively comprise Montcalm Area Intermediate School District's basic financial statements, and have issued our report thereon dated October 13, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Maney Costeiran PC

October 13, 2025



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October 13, 2025

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, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, 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. As described in Note 12 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, during the year ended June 30, 2025. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by Montcalm Area Intermediate School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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:

The calculation of the net pension liability and related deferred outflows and inflows of resources is based on an actuarial study which utilized certain actuarial assumptions.

The calculation of the net other post-employment benefits asset and related deferred outflows and inflows of resources is based upon an actuarial study which utilized certain actuarial assumptions.

Management's calculation of the accrued compensated absences is based on current hourly rates, historical usage, and policies regarding payment of sick and vacation banks.

Management's calculation of the depreciation expense is based on the estimated useful lives of the capital assets.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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 October 13, 2025.

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.

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,

Manes Costeiran PC