

**MECOSTA-OSCEOLA INTERMEDIATE
SCHOOL DISTRICT**

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

YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT..... | 1-3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4-12 |
| BASIC FINANCIAL STATEMENTS | 13 |
| Government-wide Financial Statements | |
| Statement of Net Position | 14 |
| Statement of Activities..... | 15 |
| Fund Financial Statements | |
| Balance Sheet - Governmental Funds | 16-17 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds..... | 18-19 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 20 |
| Notes to Financial Statements | 21-47 |
| REQUIRED SUPPLEMENTARY INFORMATION | 48 |
| Budgetary Comparison Schedule - General Fund | 49 |
| Budgetary Comparison Schedule - Special Education Fund..... | 50 |
| Budgetary Comparison Schedule - Vocational Education Fund | 51 |
| Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability..... | 52 |
| Schedule of the Reporting Unit's Pension Contributions..... | 53 |
| Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability | 54 |
| Schedule of the Reporting Unit's OPEB Contributions | 55 |
| Notes to Required Supplementary Information | 56 |
| ADDITIONAL SUPPLEMENTARY INFORMATION | 57 |
| Schedule of Expenditures of Federal Awards..... | 58-61 |
| Notes to the Schedule of Expenditures of Federal Awards..... | 62 |
| INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 63-64 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE | 65-67 |
| Schedule of Findings and Questioned Costs | 68 |
| Schedule of Prior Year Audit Findings | 69 |



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Mecosta-Osceola 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 Mecosta-Osceola Intermediate School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Mecosta-Osceola 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 Mecosta-Osceola Intermediate School District, as of June 30, 2022, and the respective changes in financial position 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 Mecosta-Osceola 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 10 to the financial statements, in 2022 the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. 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 Mecosta-Osceola 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 Mecosta-Osceola 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 Mecosta-Osceola Intermediate School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mecosta-Osceola Intermediate School District's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2022 on our consideration of Mecosta-Osceola 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 Mecosta-Osceola 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 Mecosta-Osceola Intermediate School District's internal control over financial reporting and compliance.

Manes Costeiran PC

August 31, 2022

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

As management of the Mecosta-Osceola Intermediate School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations.

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by (\$23,364,938) (*net position*).
- During the year the net position increased by \$3,409,822.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9,724,479, an increase of \$1,522,367 in comparison with the prior year.
- At the end of the current fiscal year, the aggregated fund balances for the District's operating funds (general fund, special education fund, and vocational education fund) was \$8,212,657 or 30% of the total expenditures of these operating funds. On pages 17 you will find a breakdown of the fund balance of the three major funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction of the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, deferred inflows of resources, and liabilities, and with the difference between these reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the District include instruction, support services, community service and transfers to locals and other services. The District has no business-type activities as of and for the year ended June 30, 2022.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District fall within the governmental fund type category.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains numerous governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special education fund, and the vocational education fund, each of which are considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts annual appropriated budgets for its general, special education and vocational education budgets. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information for the District's major funds and pension related information.

Our auditor has provided assurance in their independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information and the Additional Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table shows the District's net position for 2022 and 2021.

| Mecosta-Osceola Intermediate School District District's Net Position | | |
|---|-------------------------|------------------------|
| | Governmental Activities | |
| | 2022 | 2021 |
| ASSETS | | |
| Current assets | \$ 14,899,053 | \$ 13,198,494 |
| Capital assets | 8,115,809 | 8,278,912 |
| TOTAL ASSETS | 23,014,862 | 21,477,406 |
| DEFERRED OUTFLOWS OF RESOURCES | 9,695,159 | 12,673,310 |
| LIABILITIES | | |
| Current liabilities | 5,174,574 | 4,996,382 |
| Noncurrent liabilities | 543,311 | 621,461 |
| Net other postemployment benefit liability | 1,925,381 | 6,650,238 |
| Net pension liability | 29,478,284 | 41,750,212 |
| TOTAL LIABILITIES | 37,121,550 | 54,018,293 |
| DEFERRED INFLOWS OF RESOURCES | 18,953,409 | 6,907,183 |
| NET POSITION | | |
| Net investment in capital assets | 8,058,998 | 8,194,831 |
| Unrestricted | (31,423,936) | (34,969,591) |
| TOTAL NET POSITION | \$ (23,364,938) | \$ (26,774,760) |

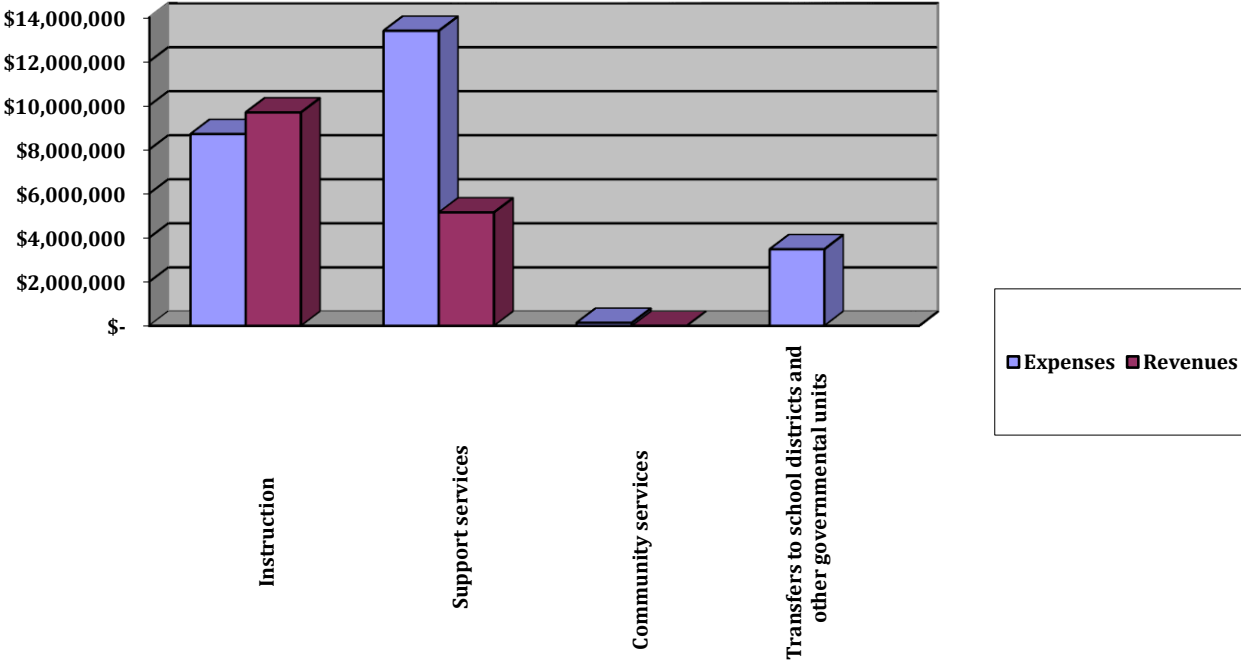
**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

| Mecosta-Osceola Intermediate School District Changes in Net Position | | |
|---|-------------------------|------------------------|
| | Governmental Activities | |
| | 2022 | 2021 |
| REVENUES | | |
| Program revenue | | |
| Charges for services | \$ 1,219,631 | \$ 848,891 |
| Operating grants and contributions | 14,179,537 | 13,091,446 |
| General revenue | | |
| Property taxes, levied for general purposes | 562,206 | 550,854 |
| Property taxes, levied for special education | 7,528,020 | 7,376,019 |
| Property taxes, levied for vocational education | 3,374,591 | 3,306,453 |
| Investment earnings | 1,628 | 5,116 |
| State sources | 1,468,209 | 1,326,044 |
| Sale of capital assets | 325,921 | - |
| Other | 457,029 | 1,191,186 |
| TOTAL REVENUES | <u>29,116,772</u> | <u>27,696,009</u> |
| EXPENSES | | |
| Instruction | 8,702,573 | 10,045,648 |
| Supporting services | 13,394,462 | 15,085,633 |
| Community services | 136,462 | 210,746 |
| Transfers to school districts and other governmental units | 3,473,453 | 3,547,361 |
| TOTAL EXPENSES | <u>25,706,950</u> | <u>28,889,388</u> |
| CHANGE IN NET POSITION | 3,409,822 | (1,193,379) |
| NET POSITION, beginning of year | <u>(26,774,760)</u> | <u>(25,581,381)</u> |
| NET POSITION, end of year | <u>\$ (23,364,938)</u> | <u>\$ (26,774,760)</u> |

Governmental Activities. Net position increased by \$3,409,822.

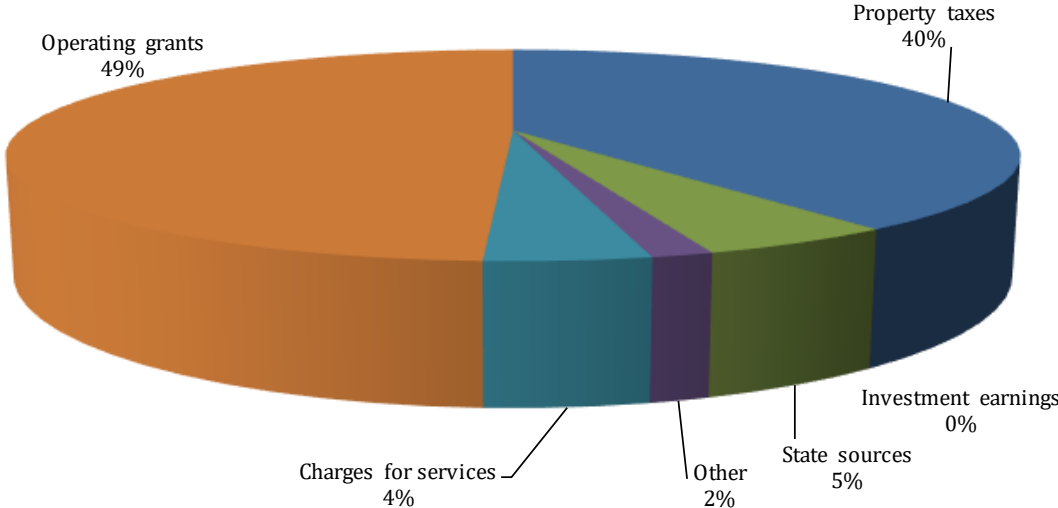
**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Expenses and Program Revenues - Governmental Activities
Year ended June 30, 2022**



**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Revenues by Source - District Activities
Year ended June 30, 2022**



**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared according to Michigan law. The most significant budgeted funds are the general fund, special education fund, and vocational education fund.

During the fiscal year ended June 30, 2022, the District amended the budgets of these major governmental funds two times.

General Fund - The general fund actual revenue was \$5.02 million. That amount is above the original budget estimate of \$4.63 million and above the final budget amendment of \$4.90 million.

The actual expenditures of the general fund were \$4.57 million, which is below the original budget of \$4.83 million and below the final amendment of \$4.60 million.

General fund had total revenues of \$5.02 million and total expenditures and other financing uses of \$4.92 million with an ending fund balance of \$2.33 million.

Special Education Fund - The special education fund actual revenue was \$19.10 million. That amount is above the original budget of \$16.98 million and above the final amendment of \$18.76 million.

The actual expenditures of the special education fund were \$18.41 million, which is above the original budget of \$18.15 million and above the final amendment of \$18.28 million.

Special education fund had total revenue and other financing sources of \$19.35 million and total expenditures and other financing uses of \$18.73 million with an ending fund balance of \$4.56 million.

Vocational Education Fund - The career and technical education fund actual revenue was \$4.71 million. That amount is below the original budget of \$4.78 million and above the final amendment of \$4.67 million.

The actual expenditures were \$4.45 million, which is below the original budget of \$4.65 million and above the final amendment of \$4.43 million.

Vocational education fund had total revenue and other financing sources of \$5.04 million and total expenditures and other financing uses, net of \$4.85 million with an ending fund balance of approximately \$1.32 million.

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance, was \$2,081,531 while total fund balance of the general fund was \$2,334,935. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 46% of total general fund expenditures, while total fund balance represents 51%.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The fund balance of the District's general fund increased by \$95,339 during the current fiscal year. The largest revenue source in this fund is state revenue which includes state aid. Expenditures consist primarily of costs associated with supporting early education, learning resources, and a portion of the executive administration, technology services, and fiscal services of the District.

The special education fund at year end had restricted fund balance of \$4,555,282, and total fund balance was \$4,555,282. Restricted and total fund balance represents approximately 25% of total expenditures.

The fund balance of the District's special education fund increased by \$621,243 from the prior year. These resources are restricted for special education programs administered by the District and transfers to local districts for special education programs. The largest portion of this fund's revenues come from local revenue which includes property taxes while the largest expenditures are for the center and categorical programs and pupil support services to the local districts which include a large number of itinerant staff.

The vocational education fund at year end had restricted fund balance of \$1,257,399, while total fund balance of the vocational education fund was \$1,322,440. Restricted fund balance represents approximately 28% of total vocational education fund expenditures, while total fund balance represents approximately 30% of total expenditures.

The fund balance of the District's vocational education (career and technical education) fund increased by \$192,963 from the prior year. These resources are restricted for career and technical education purposes. The largest portion of this fund's revenues comes from property taxes while the expenditures are for the programs at the Technical Center.

The cooperative education fund at year end had restricted and total fund balance of \$0.

The fund balance of the District's cooperative education fund had no change from the prior year. These resources are restricted to provide professional services to the local school districts within the intermediate school district. The largest portion of this fund's revenues comes from interdistrict sources while the expenditures are for the professional services provided.

The capital projects fund - building and site at year end had assigned and total fund balance of \$1,511,822. The fund balance of the District's capital projects fund - building and site increased by \$612,822 from the prior year. These resources are used for capital improvements for the District. The largest portion of this fund's revenues comes from interdistrict sources while the expenditures are capital outlay needed.

CAPITAL ASSETS

Capital Assets - At the end of fiscal year 2022, the District had \$15.79 million invested in land, construction in progress, buildings, and office and instructional equipment. Of this amount, \$7.67 million in depreciation has been taken over the years. The District has net capital assets of \$8.12 million.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

| Mecosta-Osceola Intermediate School District's Capital Assets (Net of Depreciation) | | |
|--|--------------|--------------|
| | 2022 | 2021 |
| Land | \$ 426,806 | \$ 426,806 |
| Construction in process | 87,178 | - |
| Land improvements | 287,391 | 287,391 |
| Buildings and improvements | 10,484,150 | 10,472,890 |
| Buses and other vehicles | 1,514,378 | 1,639,821 |
| Furniture and equipment | 2,988,893 | 2,905,365 |
| Subtotal | 15,788,796 | 15,732,273 |
| Accumulated depreciation | 7,672,987 | 7,453,361 |
| Total | \$ 8,115,809 | \$ 8,278,912 |

Additional information on the District's capital assets can be found in the notes of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

There is a required timeline to compile the Intermediate School District budget, which is typically prior to the State of Michigan adopting its budget, making it difficult for school districts to predict the amount of state aid revenue for the next fiscal year.

Each year the District receives different funds from federal and state for new and existing programs. The District is tasked with developing new programs and working with existing programs and expending the resources in a manner that provides the best services and support to the students or districts these funds are intended for.

In 2021-2022, the District added to the fund balance in the General Fund, Special Education Fund and Career and Technical Education Fund. The District anticipates contributing to the Capital Project Fund each year. Taxable values within the District continued to increase for the 2022 tax year. The 2022-2023 school year is the fourth year of the four-year current bargaining agreement.

The State of Michigan has set a minimum fund balance at a 5% threshold. Michigan Schools Business Officials (MSBO), a state-wide organization supporting school finance and operations, recommends a 15-20% fund balance. To ensure a solid financial future, the Board has adopted a policy to maintain a 10% minimum fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Josie Hill - Business Manager
Mecosta-Osceola Intermediate School District
15760 190th Avenue, Big Rapids, MI 49307-9096
231-796-3543 www.moisd.org

BASIC FINANCIAL STATEMENTS

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022**

| | <u>Governmental Activities</u> |
|--|--------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 10,328,397 |
| Investments | 16,175 |
| Receivables | |
| Accounts receivable | 1,693 |
| Intergovernmental | 4,487,747 |
| Inventories | 65,041 |
| Capital assets not being depreciated | 513,984 |
| Capital assets, net of accumulated depreciation/amortization | <u>7,601,825</u> |
| TOTAL ASSETS | <u>23,014,862</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to other postemployment benefit | 2,779,315 |
| Related to pension | <u>6,915,844</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>9,695,159</u> |
| LIABILITIES | |
| Accounts payable | 301,951 |
| Accrued salaries and related items | 1,550,134 |
| Accrued retirement | 681,242 |
| Due to local school districts | 394,348 |
| Unearned revenue | 2,246,899 |
| Noncurrent liabilities | |
| Due within one year | 124,570 |
| Due in more than one year | 418,741 |
| Net other postemployment benefit liability | 1,925,381 |
| Net pension liability | <u>29,478,284</u> |
| TOTAL LIABILITIES | <u>37,121,550</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to other postemployment benefit | 7,270,691 |
| Related to pension | 9,746,966 |
| Related to state aid funding for pension | <u>1,935,752</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>18,953,409</u> |
| NET POSITION | |
| Net investment in capital assets | 8,058,998 |
| Unrestricted | <u>(31,423,936)</u> |
| TOTAL NET POSITION | <u><u>\$ (23,364,938)</u></u> |

See notes to financial statements.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

| Functions/Programs | Expenses | Program Revenues | | Governmental Activities |
|---|----------------------|-------------------------|---------------------------------------|--|
| | | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
| Governmental activities | | | | |
| Instruction | \$ 8,702,573 | \$ 157,818 | \$ 9,526,452 | \$ 981,697 |
| Support services | 13,394,462 | 1,061,813 | 4,653,085 | (7,679,564) |
| Community services | 136,462 | - | - | (136,462) |
| Transfers to school districts and other governmental units | 3,473,453 | - | - | (3,473,453) |
| Total governmental activities | <u>\$ 25,706,950</u> | <u>\$ 1,219,631</u> | <u>\$ 14,179,537</u> | <u>(10,307,782)</u> |
| General revenues | | | | |
| Property taxes, levied for general purposes | | | | 562,206 |
| Property taxes, levied for special education | | | | 7,528,020 |
| Property taxes, levied for vocational education | | | | 3,374,591 |
| Investment earnings | | | | 1,628 |
| State sources not restricted to specific purposes | | | | 1,468,209 |
| Sale of capital assets | | | | 325,921 |
| Other | | | | 457,029 |
| Total general revenues | | | | <u>13,717,604</u> |
| CHANGE IN NET POSITION | | | | 3,409,822 |
| NET POSITION, beginning of year | | | | <u>(26,774,760)</u> |
| NET POSITION, end of year | | | | <u>\$ (23,364,938)</u> |

See notes to financial statements.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

| | General Fund | Special Revenue | | Capital Projects | Special Revenue | Total Governmental Funds |
|--------------------------------------|---------------------|---------------------------|------------------------------|----------------------|---|--------------------------------|
| | | Special Education Fund | Vocational Education Fund | Building and Site | Nonmajor Fund - Cooperative Education | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 3,668,682 | \$ 3,634,710 | \$ 1,355,629 | \$ 1,590,458 | \$ 78,918 | \$ 10,328,397 |
| Investments | 329 | 1,449 | 14,397 | - | - | 16,175 |
| Receivables | | | | | | |
| Accounts receivable | - | - | 1,693 | - | - | 1,693 |
| Due from other funds | 244,402 | 14,362 | - | - | - | 258,764 |
| Intergovernmental | 960,952 | 3,054,429 | 298,872 | - | 173,494 | 4,487,747 |
| Inventories | - | - | 65,041 | - | - | 65,041 |
| TOTAL ASSETS | \$ 4,874,365 | \$ 6,704,950 | \$ 1,735,632 | \$ 1,590,458 | \$ 252,412 | \$ 15,157,817 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 62,533 | \$ 78,752 | \$ 82,030 | \$ 78,636 | \$ - | \$ 301,951 |
| Accrued salaries and related items | 119,845 | 1,196,722 | 226,878 | - | 6,689 | 1,550,134 |
| Accrued retirement | 79,802 | 495,835 | 104,284 | - | 1,321 | 681,242 |
| Due to local school districts | 15,989 | 378,359 | - | - | - | 394,348 |
| Due to other funds | 14,362 | - | - | - | 244,402 | 258,764 |
| Unearned revenue | 2,246,899 | - | - | - | - | 2,246,899 |
| TOTAL LIABILITIES | 2,539,430 | 2,149,668 | 413,192 | 78,636 | 252,412 | 5,433,338 |

See notes to financial statements.

| | <u>Special Revenue</u> | | | <u>Capital Projects</u> | <u>Special Revenue</u> | <u>Total Governmental Funds</u> |
|--|------------------------|-----------------------------------|--------------------------------------|------------------------------|--|---|
| | <u>General Fund</u> | <u>Special Education Fund</u> | <u>Vocational Education Fund</u> | <u>Building and Site</u> | <u>Nonmajor Fund - Cooperative Education</u> | |
| FUND BALANCES | | | | | | |
| Nonspendable | | | | | | |
| Inventories | \$ - | \$ - | \$ 65,041 | \$ - | \$ - | \$ 65,041 |
| Restricted for | | | | | | |
| Special education | | | | | | |
| Operations | - | 3,984,962 | - | - | - | 3,984,962 |
| Special projects | - | 570,320 | - | - | - | 570,320 |
| Vocational education | - | - | 1,257,399 | - | - | 1,257,399 |
| Assigned for | | | | | | |
| Capital projects | - | - | - | 1,511,822 | - | 1,511,822 |
| Compensated absences | 39,422 | - | - | - | - | 39,422 |
| Subsequent year expenditures | 213,982 | - | - | - | - | 213,982 |
| Unassigned | 2,081,531 | - | - | - | - | 2,081,531 |
| TOTAL FUND BALANCES | 2,334,935 | 4,555,282 | 1,322,440 | 1,511,822 | - | 9,724,479 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 4,874,365 | \$ 6,704,950 | \$ 1,735,632 | \$ 1,590,458 | \$ 252,412 | \$ 15,157,817 |

| | | |
|---|--------------------|------------------------|
| Total governmental fund balances | | \$ 9,724,479 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Deferred outflows of resources - related to pension | | 6,915,844 |
| Deferred inflows of resources - related to pension | | (9,746,966) |
| Deferred inflows of resources - related to other postemployment benefit | | (7,270,691) |
| Deferred outflows of resources - related to other postemployment benefit | | 2,779,315 |
| Deferred inflows of resources - related to state funding for pension | | (1,935,752) |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds: | | |
| The cost of the capital assets is | \$ 15,788,796 | |
| Accumulated depreciation/amortization is | <u>(7,672,987)</u> | 8,115,809 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds: | | |
| Compensated absences | | (486,500) |
| Note from direct borrowing and direct placements | | (56,811) |
| Net other postemployment benefit liability | | (1,925,381) |
| Net pension liability | | <u>(29,478,284)</u> |
| Net position of governmental activities | | <u>\$ (23,364,938)</u> |

See notes to financial statements.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

| | <u>Special Revenue</u> | | | <u>Capital Projects</u> | <u>Special Revenue</u> | <u>Total Governmental Funds</u> |
|------------------------------|------------------------|-----------------------------------|--------------------------------------|------------------------------|--|---|
| | <u>General Fund</u> | <u>Special Education Fund</u> | <u>Vocational Education Fund</u> | <u>Building and Site</u> | <u>Nonmajor Fund - Cooperative Education</u> | |
| REVENUES | | | | | | |
| Local sources | | | | | | |
| Property taxes | \$ 562,206 | \$ 7,528,020 | \$ 3,374,591 | \$ - | \$ - | \$ 11,464,817 |
| Tuition | 7,991 | - | 68,508 | - | - | 76,499 |
| Investment earnings | 873 | 502 | 253 | - | - | 1,628 |
| Community service | - | 839,932 | - | - | - | 839,932 |
| Student activities | - | - | 45,510 | - | - | 45,510 |
| Other | 71,158 | 583,223 | 74,183 | - | - | 728,564 |
| | <u>642,228</u> | <u>8,951,677</u> | <u>3,563,045</u> | <u>-</u> | <u>-</u> | <u>13,156,950</u> |
| Total local sources | | | | | | |
| State sources | 3,859,153 | 7,395,002 | 730,787 | - | - | 11,984,942 |
| Federal sources | 319,130 | 2,743,967 | 418,428 | - | - | 3,481,525 |
| Interdistrict sources | 197,544 | - | - | - | 292,270 | 489,814 |
| | <u>5,018,055</u> | <u>19,090,646</u> | <u>4,712,260</u> | <u>-</u> | <u>292,270</u> | <u>29,113,231</u> |
| TOTAL REVENUES | | | | | | |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | 1,487,394 | 5,308,106 | 2,634,087 | - | - | 9,429,587 |
| Supporting services | 2,106,447 | 10,739,240 | 1,546,917 | - | 406,189 | 14,798,793 |
| Community service activities | 114,358 | 19,037 | 3,067 | - | - | 136,462 |

See notes to financial statements.

| | | Special Revenue | | Capital Projects | Special Revenue | |
|---|------------------|------------------------|---------------------------|-------------------|---------------------------------------|--------------------------|
| | General Fund | Special Education Fund | Vocational Education Fund | Building and Site | Nonmajor Fund - Cooperative Education | Total Governmental Funds |
| EXPENDITURES (continued) | | | | | | |
| Capital outlay | \$ - | \$ - | \$ - | \$ 87,178 | \$ - | \$ 87,178 |
| Transfer to school districts and other governmental units | 864,517 | 2,347,789 | 261,147 | - | - | 3,473,453 |
| TOTAL EXPENDITURES | 4,572,716 | 18,414,172 | 4,445,218 | 87,178 | 406,189 | 27,925,473 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 445,339 | 676,474 | 267,042 | (87,178) | (113,919) | 1,187,758 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from the sale of capital assets | - | 8,688 | - | - | - | 8,688 |
| Proceeds from the sale of house | - | - | 325,921 | - | - | 325,921 |
| Transfers in | - | 250,000 | - | 700,000 | 113,919 | 1,063,919 |
| Transfers out | (350,000) | (313,919) | (400,000) | - | - | (1,063,919) |
| TOTAL OTHER FINANCING SOURCES (USES) | (350,000) | (55,231) | (74,079) | 700,000 | 113,919 | 334,609 |
| NET CHANGE IN FUND BALANCES | 95,339 | 621,243 | 192,963 | 612,822 | - | 1,522,367 |
| FUND BALANCES | | | | | | |
| Beginning of year | 2,239,596 | 3,934,039 | 1,129,477 | 899,000 | - | 8,202,112 |
| End of year | \$ 2,334,935 | \$ 4,555,282 | \$ 1,322,440 | \$ 1,511,822 | \$ - | \$ 9,724,479 |

See notes to financial statements.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances Total Governmental Funds \$ 1,522,367

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./amortization:

| | |
|------------------------------------|-----------|
| Depreciation/amortization expense | (472,902) |
| Capital outlay | 331,623 |
| Loss on disposal of capital assets | (21,824) |

The issuance of long term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt 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 in the treatment of long-term debt and related items are as follows:

| | |
|--|--------|
| Payment on direct borrowings and direct placements | 27,270 |
|--|--------|

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:

| | |
|---|-----------|
| Accrued compensated absences, beginning of the year | 537,380 |
| Accrued compensated absences, end of the year | (486,500) |

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 benefit related items | 1,872,951 |
| Pension related items | 408,701 |

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:

| | |
|---|-----------|
| Change in state aid funding for pension | (309,244) |
|---|-----------|

Change in Net Position of Governmental Activities **\$ 3,409,822**

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

The Mecosta-Osceola Intermediate School District (the "District") is governed by the Mecosta-Osceola 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 constituent districts and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category - governmental - 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 administrative fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Education Special Revenue Fund* which accounts for special education programs.

The *Vocational Education Special Revenue Fund (career technical education fund)* which accounts for technical education programs.

The *Capital Projects Building and Site Fund* accounts for the receipt of transfers from the general fund, special education fund, and vocational education fund, other revenue and the acquisition of capital assets or construction of major capital projects.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Other Nonmajor Funds

The *Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its cooperative education in a special revenue fund.

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

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

Measurement Focus and Basis of Accounting

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

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

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

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.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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

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.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

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

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

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

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end. 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 certificate of deposits.

Investments

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

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

**MECOSTA-OSCEOLA 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)

Inventories and Prepays

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.

Inventories of the vocational education fund are comprised principally of land held for resale.

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 two years. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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 is not depreciated. The property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| Capital Asset Cases | Lives |
|----------------------------|---------------|
| Land improvements | 10 - 20 years |
| Buildings and improvements | 10 - 50 years |
| Buses and other vehicles | 8 years |
| Furniture and equipment | 5 - 30 years |

Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**MECOSTA-OSCEOLA 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)

Deferred Outflows

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

Deferred Inflows

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

**MECOSTA-OSCEOLA 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 Policies (continued)

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 has by resolution authorized the superintendent to assign fund balance. 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.

Mecosta-Osceola Intermediate School District has a policy for maintaining a minimum fund balance of 10% in the general fund.

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes (continued)

For the year ended June 30, 2022, the District levied the following amounts per \$1,000 of assessed valuation:

| Fund | Mills |
|---------------------------|--------|
| General fund | 0.2475 |
| Special revenue funds | |
| Special education fund | 3.3145 |
| Vocational education fund | 1.4858 |

Compensated Absences

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2022 the District had deposits and investments subject to the following risk:

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, \$9,511,160 of the District's bank balance of \$10,413,976 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 \$10,328,397.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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 - CMC | \$ 3,267 | N/A |
| MILAF External Investment pool - MAX | 12,908 | N/A |
| Total | \$ 16,175 | |
| Portfolio weighted average maturity | | N/A |

One day maturity equals 0.0027, one year equals 1.00.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

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

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Rating</u> | <u>Rating Agency</u> |
|--------------------------------------|-------------------|---------------|----------------------|
| MILAF External Investment pool - CMC | \$ 3,267 | AAAm | Standard & Poor's |
| MILAF External Investment pool - MAX | <u>12,908</u> | AAAm | Standard & Poor's |
| Total | <u>\$ 16,175</u> | | |

Foreign Currency Risk

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

Fair Value Measurement

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

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

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

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

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

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 - CMC | \$ 3,267 |
| MILAF External Investment pool - MAX | 12,908 |
| | \$ 16,175 |

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

The following summarizes the categorization of these amounts as of June 30, 2022:

| | Primary Government |
|---------------------------|-----------------------|
| Cash and cash equivalents | \$ 10,328,397 |
| Investments | 16,175 |
| | \$ 10,344,572 |

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2022 consist of the following:

| | Government- wide |
|----------------------------|---------------------|
| State aid | \$ 2,162,808 |
| Federal revenue | 2,105,900 |
| Local/intermediate sources | 219,039 |
| | \$ 4,487,747 |

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

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

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

| | As restated Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 |
|--------------------------------------|--|---------------------|--------------------|--------------------------|
| Assets not being depreciated | | | | |
| Land | \$ 426,806 | \$ - | \$ - | \$ 426,806 |
| Construction in progress | - | 87,178 | - | 87,178 |
| Subtotal | <u>426,806</u> | <u>87,178</u> | <u>-</u> | <u>513,984</u> |
| Capital assets being depreciated | | | | |
| Land improvements | 287,391 | - | - | 287,391 |
| Buildings and improvements | 10,472,890 | 11,260 | - | 10,484,150 |
| Buses and other vehicles | 1,639,821 | 111,759 | (237,202) | 1,514,378 |
| Furniture and equipment | 2,905,365 | 121,426 | (37,898) | 2,988,893 |
| Subtotal | <u>15,305,467</u> | <u>244,445</u> | <u>(275,100)</u> | <u>15,274,812</u> |
| Accumulated depreciation | | | | |
| Land improvements | 131,073 | 13,479 | - | 144,552 |
| Buildings and improvements | 3,970,036 | 209,002 | - | 4,179,038 |
| Buses and other vehicles | 1,054,463 | 150,502 | (218,908) | 986,057 |
| Furniture and equipment | 2,297,789 | 99,919 | (34,368) | 2,363,340 |
| Subtotal | <u>7,453,361</u> | <u>472,902</u> | <u>(253,276)</u> | <u>7,672,987</u> |
| Net capital assets being depreciated | <u>7,852,106</u> | <u>(228,457)</u> | <u>(21,824)</u> | <u>7,601,825</u> |
| Net governmental capital assets | <u>\$ 8,278,912</u> | <u>\$ (141,279)</u> | <u>\$ (21,824)</u> | <u>\$ 8,115,809</u> |

Depreciation for the fiscal year ended June 30, 2022 amounted to \$472,902. The District allocated depreciation to the various activities as follows:

| | |
|-------------------------------|-------------------|
| Governmental activities | |
| Instruction | \$ 236,451 |
| Support services | <u>236,451</u> |
| Total governmental activities | <u>\$ 472,902</u> |

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

The District issues bonds, notes, and other contractual commitments to fund for the acquisition, construction and improvement of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Notes and installment purchase agreements are also general obligations to the District. Other long-term obligations include employee compensated absences and a capital lease.

Long-term obligations currently outstanding are as follows:

| | Compensated Absences | Note from Direct Borrowings and Direct Placements | Total |
|---------------------------|-------------------------|---|-------------------|
| Balance, July 1, 2021 | \$ 537,380 | \$ 84,081 | \$ 621,461 |
| Deletions | <u>(50,880)</u> | <u>(27,270)</u> | <u>(78,150)</u> |
| Balance, June 30, 2022 | 486,500 | 56,811 | 543,311 |
| Due within one year | <u>97,300</u> | <u>27,270</u> | <u>124,570</u> |
| Due in more than one year | <u>\$ 389,200</u> | <u>\$ 29,541</u> | <u>\$ 418,741</u> |

The annual requirement to amortize the note from direct borrowings and direct placements outstanding as of June 30, 2022 are as follows:

| Year Ending June 30, | Notes from Direct Borrowings and Direct Placements | | Compensated Absences | Total |
|----------------------|---|-----------------|-------------------------|-------------------|
| | Principal | Interest | | |
| 2023 | \$ 26,393 | \$ 873 | \$ - | \$ 27,266 |
| 2024 | 26,926 | 338 | - | 27,264 |
| 2025 | <u>3,492</u> | <u>4</u> | - | <u>3,496</u> |
| | 56,811 | 1,215 | - | 58,026 |
| Compensated Absences | <u>-</u> | <u>-</u> | 486,500 | 486,500 |
| | <u>\$ 56,811</u> | <u>\$ 1,215</u> | <u>\$ 486,500</u> | <u>\$ 544,526</u> |

The District's outstanding note from direct borrowings and direct placements related to governmental activities of \$56,811 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable. The lease-purchase agreement is due in annual installments of \$27,270, with an imputed interest of 2%, through August 1, 2024.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by 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%.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their 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.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

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.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018 are amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

| | Pension | Other Postemployment Benefit |
|--------------------------------------|-----------------|------------------------------------|
| October 1, 2020 - September 30, 2021 | 13.39% - 19.78% | 7.57% - 8.43% |
| October 1, 2021 - September 30, 2022 | 13.39% - 20.14% | 7.23% - 8.09% |

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$4,179,000. Of the total pension contributions approximately \$4,022,000 was contributed to fund the Defined Benefit Plan and approximately \$157,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$1,019,000. Of the total OPEB contributions approximately \$928,000 was contributed to fund the Defined Benefit Plan and approximately \$91,000 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).

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

| <u>MPSERS (Plan) Non-University Employers</u> | <u>September 30, 2021</u> | <u>September 30, 2020</u> |
|---|---------------------------|---------------------------|
| Total pension liability | \$ 86,392,473,395 | \$ 85,290,583,799 |
| Plan fiduciary net position | \$ 62,717,060,920 | \$ 50,939,496,006 |
| Net pension liability | \$ 23,675,412,475 | \$ 34,351,087,793 |
| Proportionate share | 0.12451% | 0.12154% |
| Net pension liability for the District | \$ 29,478,284 | \$ 41,750,212 |

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

For the year ended June 30, 2022, the District recognized pension expense of \$3,612,954.

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Net difference between projected and actual pension plan investment earnings | \$ - | \$ (9,477,174) |
| Differences between expected and actual experience | 456,631 | (173,592) |
| Change in proportion and differences between employer contributions and proportionate share of contributions | 935,594 | (96,200) |
| Changes of assumptions | 1,858,206 | - |
| Reporting Unit's contributions subsequent to the measurement date | <u>3,665,413</u> | <u>-</u> |
| | <u>\$ 6,915,844</u> | <u>\$ (9,746,966)</u> |

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

\$3,665,413, 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:

| <u>Year Ended</u> | <u>Amount</u> |
|-------------------|---------------|
| 2022 | \$ (513,255) |
| 2023 | (1,416,139) |
| 2024 | (2,091,995) |
| 2025 | (2,475,146) |

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

| <u>MPSERS (Plan) Non-University Employers</u> | <u>September 30, 2021</u> | <u>September 30, 2020</u> |
|--|---------------------------|---------------------------|
| Total other postemployment benefits liability | \$ 12,046,393,511 | \$ 13,206,903,534 |
| Plan fiduciary net position | \$ 10,520,015,621 | \$ 7,849,636,555 |
| Net other postemployment benefits liability | \$ 1,526,377,890 | \$ 5,357,266,979 |
| Proportionate share | 0.12614% | 0.12413% |
| Net other postemployment benefits liability for the District | \$ 1,925,381 | \$ 6,650,238 |

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2022, the District recognized OPEB benefit of \$945,166.

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Net difference between projected and actual other postemployment benefits plan investment earnings | \$ - | \$ (1,451,195) |
| Differences between expected and actual experience | - | (5,495,864) |
| Change in proportion and differences between employer contributions and proportionate share of contributions | 390,214 | (82,787) |
| Changes of assumptions | 1,609,523 | (240,845) |
| Reporting Unit's contributions subsequent to the measurement date | 779,578 | - |
| | \$ 2,779,315 | \$ (7,270,691) |

\$779,578, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

| Year Ended | Amount |
|------------|----------------|
| 2022 | \$ (1,347,527) |
| 2023 | (1,252,668) |
| 2024 | (1,176,911) |
| 2025 | (1,078,509) |
| 2026 | (367,166) |
| 2027 | (48,173) |

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

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

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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

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

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

The target asset allocation at September 30, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Investment Category</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return*</u> |
|--------------------------------------|--------------------------|--|
| Domestic Equity Pools | 25.0% | 5.4% |
| International Equity Pools | 15.0% | 7.5% |
| Private Equity Pools | 16.0% | 9.1% |
| Real Estate and Infrastructure Pools | 10.0% | 5.4% |
| Fixed Income Pools | 10.5% | -0.7% |
| Absolute Return Pools | 9.0% | 2.6% |
| Real Return/Opportunistic Pools | 12.5% | 6.1% |
| Short Term Investment Pools | 2.0% | -1.3% |
| | <u>100.00%</u> | |

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

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

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

| | Pension | | |
|---|---------------|---------------|---------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| Reporting Unit's proportionate share of the net pension liability | \$ 42,145,952 | \$ 29,478,284 | \$ 18,975,957 |

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

| | Other Postemployment Benefits | | |
|--|-------------------------------|---------------|-------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| Reporting Unit's proportionate share of the net other postemployment benefit liability | \$ 3,577,706 | \$ 1,925,381 | \$ 523,148 |

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

| | Other Postemployment Benefits | | |
|--|-------------------------------|--------------------------------|--------------|
| | Current | | |
| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
| Reporting Unit's proportionate share of the net other postemployment benefit liability | \$ 468,623 | \$ 1,925,381 | \$ 3,564,411 |

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2021 Comprehensive Annual Financial Report.

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

NOTE 7 - INTERFUND ACTIVITY

The composition of interfund transfers at June 30, 2022 is as follows:

| | Transfers Out | | | Total |
|-----------------------|---------------|------------------------------|---------------------------------|--------------|
| | General Fund | Special Education Fund | Vocational Education Fund | |
| Transfers in | | | | |
| Special education | \$ 250,000 | \$ - | \$ - | \$ 250,000 |
| Building and site | 100,000 | 200,000 | 400,000 | 700,000 |
| Cooperative education | - | 113,919 | - | 113,919 |
| Total | \$ 350,000 | \$ 313,919 | \$ 400,000 | \$ 1,063,919 |

Transfers provided funding for special education, vocational, and cooperative education technology department, capital projects and operations and maintenance services.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND ACTIVITY (continued)

As of June 30, 2022, the cooperative education fund owes the general fund \$244,402 and the general fund owes the special education fund \$14,362. The outstanding balances between funds resulting from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 8 - 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 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; 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 |
|------------------|--------------|
| Big Rapids City | \$ 7,543 |
| Osceola Township | 4,707 |
| | \$ 12,250 |

There are no abatements made by the District.

NOTE 9 - 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.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

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

Summary:

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

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

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|---------------------|--------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Local sources | \$ 671,403 | \$ 641,029 | \$ 642,228 | \$ 1,199 |
| State sources | 3,480,707 | 3,753,131 | 3,859,153 | 106,022 |
| Federal sources | 326,134 | 308,408 | 319,130 | 10,722 |
| Interdistrict sources | 154,402 | 200,544 | 197,544 | (3,000) |
| TOTAL REVENUES | 4,632,646 | 4,903,112 | 5,018,055 | 114,943 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | | | | |
| Basic programs | 1,002,699 | 1,351,222 | 1,339,441 | 11,781 |
| Added needs | 153,293 | 155,398 | 147,953 | 7,445 |
| Total instruction | 1,155,992 | 1,506,620 | 1,487,394 | 19,226 |
| Supporting services | | | | |
| Pupil | 226,279 | 209,309 | 229,385 | (20,076) |
| Instructional staff | 811,144 | 719,681 | 695,781 | 23,900 |
| General administration | 259,664 | 270,925 | 263,554 | 7,371 |
| School administration | 137,542 | 124,943 | 124,205 | 738 |
| Business | 119,196 | 115,995 | 120,461 | (4,466) |
| Operation/maintenance | 431,684 | 378,097 | 368,387 | 9,710 |
| Pupil transportation | 5,750 | 1,800 | 1,267 | 533 |
| Central | 299,410 | 341,601 | 303,407 | 38,194 |
| Total supporting services | 2,290,669 | 2,162,351 | 2,106,447 | 55,904 |
| Community services | 179,768 | 113,909 | 114,358 | (449) |
| Transfer to school districts and other governmental units | 1,202,205 | 815,000 | 864,517 | (49,517) |
| TOTAL EXPENDITURES | 4,828,634 | 4,597,880 | 4,572,716 | 25,164 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (195,988) | 305,232 | 445,339 | 140,107 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | (350,000) | (350,000) | - |
| NET CHANGE IN FUND BALANCE | \$ (195,988) | \$ (44,768) | 95,339 | \$ 140,107 |
| FUND BALANCE | | | | |
| Beginning of year | | | 2,239,596 | |
| End of year | | | <u>\$ 2,334,935</u> | |

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2022**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|---------------------|-------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Local sources | \$ 8,339,692 | \$ 9,009,381 | \$ 8,951,677 | \$ (57,704) |
| State sources | 6,083,174 | 7,055,545 | 7,395,002 | 339,457 |
| Federal sources | 2,559,736 | 2,697,857 | 2,743,967 | 46,110 |
| TOTAL REVENUES | <u>16,982,602</u> | <u>18,762,783</u> | <u>19,090,646</u> | <u>327,863</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Added needs | 5,375,897 | 5,312,609 | 5,308,106 | 4,503 |
| Supporting services | | | | |
| Pupil | 6,198,127 | 6,408,309 | 6,353,922 | 54,387 |
| Instructional staff | 1,381,971 | 1,317,064 | 1,338,555 | (21,491) |
| General administration | 163,786 | 156,115 | 157,764 | (1,649) |
| Business | 325,148 | 326,936 | 312,569 | 14,367 |
| Operation/maintenance | 528,370 | 505,365 | 493,241 | 12,124 |
| Pupil transportation | 1,311,198 | 1,251,377 | 1,401,773 | (150,396) |
| Central | 611,658 | 630,133 | 681,416 | (51,283) |
| Total supporting services | <u>10,520,258</u> | <u>10,595,299</u> | <u>10,739,240</u> | <u>(143,941)</u> |
| Community services | 21,500 | 26,500 | 19,037 | 7,463 |
| Transfer to school districts and other governmental units | 2,232,338 | 2,343,875 | 2,347,789 | (3,914) |
| TOTAL EXPENDITURES | <u>18,149,993</u> | <u>18,278,283</u> | <u>18,414,172</u> | <u>(135,889)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,167,391)</u> | <u>484,500</u> | <u>676,474</u> | <u>191,974</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from the sale of capital assets | - | 8,688 | 8,688 | - |
| Transfers in | 300,000 | 250,000 | 250,000 | - |
| Transfers out | - | (313,919) | (313,919) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>300,000</u> | <u>(55,231)</u> | <u>(55,231)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (867,391)</u> | <u>\$ 429,269</u> | 621,243 | <u>\$ 191,974</u> |
| FUND BALANCE | | | | |
| Beginning of year | | | 3,934,039 | |
| End of year | | | <u>\$ 4,555,282</u> | |

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
VOCATIONAL EDUCATION FUND
YEAR ENDED JUNE 30, 2022**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Local sources | \$ 3,540,089 | \$ 3,571,862 | \$ 3,563,045 | \$ (8,817) |
| State sources | 896,928 | 674,939 | 730,787 | 55,848 |
| Federal sources | 341,660 | 425,083 | 418,428 | (6,655) |
| TOTAL REVENUES | <u>4,778,677</u> | <u>4,671,884</u> | <u>4,712,260</u> | <u>40,376</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Added needs | 2,548,107 | 2,588,959 | 2,595,039 | (6,080) |
| Adult education | 111,969 | 29,083 | 39,048 | (9,965) |
| Total instruction | <u>2,660,076</u> | <u>2,618,042</u> | <u>2,634,087</u> | <u>(16,045)</u> |
| Supporting services | | | | |
| Pupil | 359,692 | 274,003 | 270,408 | 3,595 |
| Instructional staff | 209,348 | 128,535 | 127,244 | 1,291 |
| General administration | 88,904 | 86,729 | 87,083 | (354) |
| School administration | 285,688 | 325,593 | 323,820 | 1,773 |
| Business | 109,587 | 82,601 | 78,854 | 3,747 |
| Operation/maintenance | 482,160 | 456,149 | 471,453 | (15,304) |
| Pupil transportation | 14,896 | 3,180 | 3,180 | - |
| Central | 175,584 | 181,352 | 166,669 | 14,683 |
| Other | - | - | 18,206 | (18,206) |
| Total supporting services | <u>1,725,859</u> | <u>1,538,142</u> | <u>1,546,917</u> | <u>(8,775)</u> |
| Community services | 2,500 | 4,000 | 3,067 | 933 |
| Transfer to school districts and other governmental units | 265,246 | 267,802 | 261,147 | 6,655 |
| TOTAL EXPENDITURES | <u>4,653,681</u> | <u>4,427,986</u> | <u>4,445,218</u> | <u>(17,232)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>124,996</u> | <u>243,898</u> | <u>267,042</u> | <u>23,144</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from the sale of house | - | 325,921 | 325,921 | - |
| Transfers out | - | (400,000) | (400,000) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>(74,079)</u> | <u>(74,079)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 124,996</u> | <u>\$ 169,819</u> | 192,963 | <u>\$ 23,144</u> |
| FUND BALANCE | | | | |
| Beginning of year | | | <u>1,129,477</u> | |
| End of year | | | <u>\$ 1,322,440</u> | |

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Reporting Unit's proportion of net pension liability (%) | 0.12451% | 0.12154% | 0.12091% | 0.11981% | 0.11778% | 0.11666% | 0.11311% | 0.11013% |
| Reporting Unit's proportionate share of net pension liability | \$ 29,478,284 | \$ 41,750,212 | \$ 40,041,496 | \$ 36,017,091 | \$ 30,522,712 | \$ 29,105,775 | \$ 27,626,139 | \$ 24,257,535 |
| Reporting Unit's covered-employee payroll | \$ 11,461,317 | \$ 10,973,809 | \$ 10,561,570 | \$ 10,449,457 | \$ 9,869,163 | \$ 9,978,467 | \$ 9,478,686 | \$ 9,437,390 |
| Reporting Unit's proportionate share of net pension liability as a percentage of its covered employee payroll | 257.20% | 380.45% | 379.12% | 344.68% | 309.27% | 291.69% | 291.46% | 257.04% |
| Plan fiduciary net position as a percentage of total pension liability (non-university employers) | 72.60% | 59.72% | 60.31% | 62.36% | 64.21% | 63.27% | 63.17% | 66.20% |

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

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Statutorily required contributions | \$ 4,021,655 | \$ 3,657,804 | \$ 3,272,094 | \$ 3,164,364 | \$ 3,118,347 | \$ 2,765,239 | \$ 2,520,996 | \$ 2,128,299 |
| Contributions in relation to statutorily required contributions | <u>4,021,655</u> | <u>3,657,804</u> | <u>3,272,094</u> | <u>3,164,364</u> | <u>3,118,347</u> | <u>2,765,239</u> | <u>2,520,996</u> | <u>2,128,299</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Reporting unit's covered-employee payroll | \$ 11,307,479 | \$ 11,306,103 | \$ 10,892,779 | \$ 10,514,185 | \$ 10,298,769 | \$ 9,809,471 | \$ 9,626,472 | \$ 9,518,027 |
| Contributions as a percentage of covered-employee payroll | 35.57% | 32.35% | 30.04% | 30.10% | 30.28% | 28.19% | 26.19% | 22.36% |

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

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|---------------|---------------|---------------|
| Reporting Unit's proportion of net OPEB liability (%) | 0.12614% | 0.12413% | 0.12161% | 0.12289% | 0.11843% |
| Reporting Unit's proportionate share of net OPEB liability | \$ 1,925,381 | \$ 6,650,238 | \$ 8,728,681 | \$ 9,768,259 | \$ 10,487,493 |
| Reporting Unit's covered-employee payroll | \$ 11,461,317 | \$ 10,973,809 | \$ 10,561,570 | \$ 10,449,457 | \$ 9,869,163 |
| Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll | 16.80% | 60.60% | 82.65% | 93.48% | 106.27% |
| Plan fiduciary net position as a percentage of total OPEB liability (non-university employers) | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% |

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

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------|----------------|----------------|----------------|----------------|
| Statutorily required OPEB contributions | \$ 927,785 | \$ 964,621 | \$ 910,672 | \$ 861,466 | \$ 882,277 |
| Contributions in relation to statutorily required contributions | <u>927,785</u> | <u>964,621</u> | <u>910,672</u> | <u>861,466</u> | <u>882,277</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Reporting Unit's covered-employee payroll (OPEB) | \$ 11,307,479 | \$ 11,306,103 | \$ 10,892,779 | \$ 10,514,185 | \$ 10,298,769 |
| OPEB contributions as a percentage of covered-employee payroll | 8.21% | 8.53% | 8.36% | 8.19% | 8.57% |

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

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 - PENSION INFORMATION

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

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

NOTE 2 - OPEB INFORMATION

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

Changes of Assumptions - the assumption changes for 2021 were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25 Year 1 graded to 3.5% Year 15. The prior healthcare trend rate was reported as one group with a rate of 7.00% Year 1 graded to a 3.50% Year 15.

ADDITIONAL SUPPLEMENTARY INFORMATION

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

| Federal Grantor/Pass-through Grantor/Program Title | Federal Assistance Listing Number | Pass-through Grantor's Number | Approved Grant Award Amount | Accrued (Unearned) Revenue 7/1/2021 | (Memo Only) Prior Year Expenditures | Adjustments | Current Year Expenditures | Current Year Cash Receipts | Accrued (Unearned) Revenue 6/30/22 | Current Year Cash Transferred to Subrecipient |
|--|-----------------------------------|-------------------------------|-----------------------------|-------------------------------------|-------------------------------------|-------------|---------------------------|----------------------------|------------------------------------|---|
| <u>U.S. Department of Education</u> | | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 221700-2122 | \$ 214,895 | \$ - | \$ - | \$ - | \$ 139,867 | \$ - | \$ 139,867 | \$ - |
| Title I Grants to Local Educational Agencies | | 211700-2021 | 149,153 | 37,349 | 149,153 | - | - | 37,349 | - | - |
| Title I Grants to Local Educational Agencies | | 221530-2122 | 34,936 | - | - | - | 28,326 | - | 28,326 | - |
| Title I Grants to Local Educational Agencies | | 211530-2021 | 39,465 | 4,297 | 39,465 | - | - | 4,297 | - | - |
| Total ALN 84.010 | | | 438,449 | 41,646 | 188,618 | - | 168,193 | 41,646 | 168,193 | - |
| Special Education Cluster | | | | | | | | | | |
| Special Education Grants to States | 84.027 | 200450-1920 | 2,272,868 | 31,414 | 101,586 | 487,426 | - | 518,840 | - | - |
| Special Education Grants to States | | 220493-2122 | 142,600 | - | - | - | 142,600 | - | 142,600 | - |
| Special Education Grants to States | | 210493-GSG | 142,600 | 142,600 | 142,600 | - | - | 142,600 | - | - |
| Special Education Grants to States | | 220450-2122 | 2,340,824 | - | - | - | 1,715,480 | 853,868 | 861,612 | - |
| Special Education Grants to States | | 210450-2021 | 2,342,004 | 741,865 | 2,240,281 | (487,426) | 552,747 | 247,214 | 559,972 | - |
| Total ALN 84.027 | | | 7,240,896 | 915,879 | 2,484,467 | - | 2,410,827 | 1,762,522 | 1,564,184 | - |
| Special Education Preschool Grants | 84.173 | 220460-2122 | 99,668 | - | - | - | 97,149 | 35,039 | 62,110 | - |
| Special Education Preschool Grants | | 200460-1920 | 98,942 | 978 | 1,282 | (978) | - | - | - | - |
| Special Education Preschool Grants | | 210460-2021 | 99,406 | 27,294 | 77,394 | 978 | - | 28,272 | - | - |
| COVID-19 Special Education Preschool Grants - American Rescue Plan | 84.173X | 221285-2122 | 35,962 | - | - | - | 31,059 | - | 31,059 | - |
| Total ALN 84.173 | | | 333,978 | 28,272 | 78,676 | - | 128,208 | 63,311 | 93,169 | - |
| Total Special Education Cluster | | | 7,574,874 | 944,151 | 2,563,143 | - | 2,539,035 | 1,825,833 | 1,657,353 | - |

The accompanying notes are an integral part of this schedule.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

| Federal Grantor/Pass-through Grantor/Program Title | Federal Assistance Listing Number | Pass-through Grantor's Number | Approved Grant Award Amount | Accrued (Unearned) Revenue 7/1/2021 | (Memo Only) Prior Year Expenditures | Adjustments | Current Year Expenditures | Current Year Cash Receipts | Accrued (Unearned) Revenue 6/30/22 | Current Year Cash Transferred to Subrecipient |
|---|-----------------------------------|-------------------------------|-----------------------------|-------------------------------------|-------------------------------------|-------------|---------------------------|----------------------------|------------------------------------|---|
| U.S Department of Education (continued) | | | | | | | | | | |
| Passed through Michigan Department of Education (continued) | | | | | | | | | | |
| Career and Technical Education-Basic Grants to States (Perkins II) | 84.048 | 223520-22127 | \$ 425,083 | \$ - | \$ - | \$ - | \$ 418,428 | \$ 243,325 | \$ 175,103 | \$ 261,147 |
| Career and Technical Education-Basic Grants to States (Perkins II) | | 213520-21127 | 341,660 | 127,181 | 341,660 | - | - | 127,181 | - | - |
| Total ALN 84.048 | | | 766,743 | 127,181 | 341,660 | - | 418,428 | 370,506 | 175,103 | 261,147 |
| Special Education-Grants for Infants and Families | 84.181 | 221340-2122 | 97,714 | - | - | - | 97,714 | 48,857 | 48,857 | - |
| Special Education-Grants for Infants and Families | | 211340-2021 | 95,469 | 15,632 | 95,469 | - | - | 15,632 | - | - |
| COVID-19 Special Education-Grants for Infants and Families American Rescue Plan | 84.181X | 221283-EOARP | 47,496 | - | - | - | 27,421 | - | 27,421 | - |
| Total ALN 84.181 | | | 240,679 | 15,632 | 95,469 | - | 125,135 | 64,489 | 76,278 | - |
| Education for Homeless Children & Youths | 84.196 | 222320-2122 | 84,277 | - | - | - | 28,973 | - | 28,973 | - |
| Education for Homeless Children & Youths | | 212320-2021 | 82,989 | 5,352 | 41,604 | - | - | 5,352 | - | - |
| Total ALN 84.196 | | | 167,266 | 5,352 | 41,604 | - | 28,973 | 5,352 | 28,973 | - |
| Education Stabilization Fund | | | | | | | | | | |
| COVID-19 Governor's Emergency Education Relief Fund (GEER I) | 84.425C | 201230-2021 | 9,068 | 4,033 | 8,982 | - | - | 4,033 | - | - |
| COVID-19 Governor's Emergency Education Relief Fund (ESSER II - Summer Programming) | 84.425D | 213722-2122 | 113,850 | - | - | - | 113,850 | 113,850 | - | - |
| Total ALN 84.425 | | | 122,918 | 4,033 | 8,982 | - | 113,850 | 117,883 | - | - |
| Every student succeeds act/Preschool development grants | 93.434 | 213910-3.621-2 | 33,000 | 7,643 | 21,474 | (4,569) | 7,500 | 10,574 | - | - |
| Every student succeeds act/Preschool development grants | | 213910-3.621-1 | 25,000 | 2,439 | 20,839 | 4,569 | - | 7,008 | - | - |
| Total ALN 93.434 | | | 58,000 | 10,082 | 42,313 | - | 7,500 | 17,582 | - | - |
| Total passed through Michigan Department of Education | | | 9,368,929 | 1,148,077 | 3,281,789 | - | 3,401,114 | 2,443,291 | 2,105,900 | 261,147 |
| Total passed through U.S. Department of Education | | | 9,368,929 | 1,148,077 | 3,281,789 | - | 3,401,114 | 2,443,291 | 2,105,900 | 261,147 |

The accompanying notes are an integral part of this schedule.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

| Federal Grantor/Pass-through Grantor/Program Title | Federal Assistance Listing Number | Pass-through Grantor's Number | Approved Grant Award Amount | Accrued (Unearned) Revenue 7/1/2021 | (Memo Only) Prior Year Expenditures | Adjustments | Current Year Expenditures | Current Year Cash Receipts | Accrued (Unearned) Revenue 6/30/22 | Current Year Cash Transferred to Subrecipient |
|--|-----------------------------------|-------------------------------|-----------------------------|-------------------------------------|-------------------------------------|-------------|---------------------------|----------------------------|------------------------------------|---|
| <u>U.S. Department of of Health and Human Services</u> | | | | | | | | | | |
| Passed through Michigan Department of Community Health | | | | | | | | | | |
| Medicaid Cluster | | | | | | | | | | |
| Medical Assistance Program | 93.778 | N/A | \$ 77,797 | \$ - | \$ 41,830 | \$ - | \$ 79,797 | \$ 79,797 | \$ - | \$ 38,008 |
| <u>U.S. Department of of Agriculture</u> | | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | | |
| Pandemic EBT Local Level Costs | 10.649 | 210980-2021 | 614 | - | - | - | 614 | 614 | - | - |
| Total Federal Awards | | | <u>\$ 9,447,340</u> | <u>\$ 1,148,077</u> | <u>\$ 3,323,619</u> | <u>\$ -</u> | <u>\$ 3,481,525</u> | <u>\$ 2,523,702</u> | <u>\$ 2,105,900</u> | <u>\$ 299,155</u> |

The accompanying notes are an integral part of this schedule.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PASS THROUGH AMOUNTS
YEAR ENDED JUNE 30, 2022**

| <u>Federal Grantor/Pass-through Grantor/Program Title</u> | Federal Assistance Listing Number | Subrecipient Award / Contract Amount | Due to (from) Subrecipient 7/1/21 | (Memo Only) Subrecipient Prior Year Expenditures | Subrecipient Current Year Expenditures | Current Year Cash Transferred to Subrecipient | Due to (from) Subrecipient 6/30/22 |
|---|-----------------------------------|--------------------------------------|-----------------------------------|--|--|---|------------------------------------|
| <u>U.S. Department of Education</u> | | | | | | | |
| Passed through the Michigan Department of Education Career and Technical Education-Basic Grants to States Project number 223520-22127 - Passed through to | 84.048 | | | | | | |
| West Shore ESD | | \$ 133,901 | \$ - | \$ 107,623 | \$ 133,901 | \$ 133,901 | \$ - |
| Newaygo ISD | | 127,246 | - | 107,623 | 127,246 | 127,246 | - |
| | | <u>261,147</u> | <u>-</u> | <u>215,246</u> | <u>261,147</u> | <u>261,147</u> | <u>-</u> |
| Total Career and Technical Education-Basic Grants to States | | | | | | | |
| <u>U.S. Department of Health and Human Services</u> | | | | | | | |
| Passed through Michigan Department of Community Health Medicaid Cluster | | | | | | | |
| Medical Assistance Program | 93.778 | | | | | | |
| Passed through to: | | | | | | | |
| Big Rapids Public Schools | | 8,163 | - | 6,124 | 8,163 | 8,163 | - |
| Chippewa Hills School District | | 9,789 | - | 8,060 | 9,789 | 9,789 | - |
| Crossroads Charter Academy | | 1,392 | - | 1,035 | 1,392 | 1,392 | - |
| Evert Public Schools | | 4,408 | - | 2,630 | 4,408 | 4,408 | - |
| Morley Stanwood Community Schools | | 6,555 | - | 3,645 | 6,555 | 6,555 | - |
| Reed City Area Public Schools | | 7,701 | - | 5,086 | 7,701 | 7,701 | - |
| | | <u>38,008</u> | <u>-</u> | <u>26,580</u> | <u>38,008</u> | <u>38,008</u> | <u>-</u> |
| Total Medical Assistance Program | | | | | | | |
| | | <u>\$ 299,155</u> | <u>\$ -</u> | <u>\$ 241,826</u> | <u>\$ 299,155</u> | <u>\$ 299,155</u> | <u>\$ -</u> |
| Total federal funds passed through to subrecipients | | | | | | | |

The accompanying notes are an integral part of this schedule.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Mecosta-Osceola Intermediate School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mecosta-Osceola Intermediate School District, it is not intended to and does not present the financial position or changes in net position of Mecosta-Osceola Intermediate School District.

The District qualifies for low-risk auditee status. Management has utilized the Cash Management System and the Grant Auditor Report in preparing the schedule of expenditures of federal awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Mecosta-Osceola Intermediate School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2022:

| | |
|---|------------------|
| General fund | \$ 319,130 |
| Special education fund | 2,743,967 |
| Vocational education fund | 418,428 |
| Expenditures per schedule of expenditures of federal awards | \$ 3,481,525 |

NOTE 4 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule of expenditures of federal awards, Mecosta-Osceola Intermediate School District provided federal awards to subrecipients reported in the enclosed schedule of pass-through amounts.

NOTE 5 - ADJUSTMENTS

During the current year there were adjustments on schedule of federal awards for reclassification of expenses allocated to different grants compared to the prior year.



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

**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 of the
Mecosta-Osceola 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 Mecosta-Osceola Intermediate School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Mecosta-Osceola Intermediate School District's basic financial statements, and have issued our report thereon dated August 31, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mecosta-Osceola 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 Mecosta-Osceola Intermediate School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mecosta-Osceola 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 Mecosta-Osceola 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

August 31, 2022



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

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

To the Board of Education of the
Mecosta-Osceola Intermediate School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mecosta-Osceola Intermediate School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Mecosta-Osceola Intermediate School District's major federal programs for the year ended June 30, 2022. Mecosta-Osceola Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mecosta-Osceola Intermediate School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mecosta-Osceola Intermediate School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mecosta-Osceola Intermediate School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mecosta-Osceola Intermediate School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maney Costeiran PC

August 31, 2022

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

_____ Yes X No

Identification of major programs:

| Assistance Listing Number(s) | Name of Federal Program or Cluster |
|------------------------------|------------------------------------|
| 84.027 & 84.173 | Special Education Cluster |

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no audit findings in either of the prior two years.