MONTROSE COMMUNITY SCHOOLS

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

JUNE 30, 2022

TABLE OF CONTENTS

TABLE OF CONTENTS (Continued)

Lewis & Knopf
CPAs, PC

October 20, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Montrose Community Schools

Report on the Financial Statements

Opinions
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montrose Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the 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 Montrose Community Schools, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montrose Community Schools 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 15 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 the Montrose Community Schools' 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.

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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 the Montrose Community Schools' 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 the Montrose Community Schools' 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 budgetary comparison 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 the Montrose Community Schools' basic financial statements. The accompanying combining and individual nonmajor fund financial statements, other schedules and 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 combining and individual nonmajor fund financial statements, other schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022, on our consideration of the Montrose Community Schools' 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 the Montrose Community Schools' 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 Montrose Community Schools' internal control over financial reporting and compliance.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Lewis & Knopf CPAs, PC

As administration of Montrose Community Schools, 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

* The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by $19,805,390 (net position).

* The District‘s total net position increased by $2,740,026. The increase is primarily due to pension and OPEB related items.

* The general fund had an increase in fund balance of $659,185. At the end of the year, unassigned fund balance for the general fund was $6,030,928, or 34%, of total general fund expenditures. Total fund balance for the general fund was $6,225,623, or 36%, of total general fund expenditures.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District‘s most significant fund - the General Fund. All other funds are presented in one column as non-major funds.

MAJOR FEATURES OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS			
		Fund Financial Statements	
	District-Wide Statements	Governmental Funds	Fiduciary Funds (if any)
Scope	Entire District (except Fiduciary Funds)	The activities of the District that are not proprietary or fiduciary such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as certain student activities monies
Required Financial Statements	* Statement of Net Position * Statement of Activities (Pages 1 and 2)	* Balance Sheet * Statement of Revenues, Expenditures and Changes in Fund Balances (Pages 3 and 5)	* Statement of Fiduciary Net Position * Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting economic resources focus
Type of Asset/ Liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, The District's funds do not currently contain capital assets, although they can
Type of Inflow/ Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received	All additions and deductions during year, regardless of when cash is received or paid

Fund Financial Statements

The fund financial statements are reported on a modified accrual basis and consist of governmental funds. Governmental funds include most of the District's basic services which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending on future District programs.

Fiduciary funds are for assets that belong to others, such as certain student activities funds where the District is the trustee or fiduciary. The District cannot use these assets to finance its operations but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources. Some of these funds are established by State law and by bond covenants while others can be established for the District to control and manage money for a particular purpose such as school lunch and athletics.

SUMMARY OF NET POSITION:

NET POSITION SUMMARY

	2022	2021 *
ASSETS		
Other Assets	$9,536,472	$8,596,176
Capital Assets	15,470,749	15,586,349
TOTAL ASSETS	$25,007,221	$24,182,525
DEFERRED OUTFLOWS OF RESOURCES	6,447,204	8,520,945
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$31,454,425	$32,703,470
LIABILITIES		
Other Liabilities	22,579,824	33,621,482
Long-Term Liabilities	16,431,275	17,309,804
Total Liabilities	$39,011,099	$50,931,286
DEFERRED INFLOWS OF RESOURCES	12,248,716	4,317,600
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$51,259,815	$55,248,886
NET POSITION		
Net Investment in Capital Assets	903,267	(395,897)
Restricted	281,615	240,532
Unrestricted	(20,990,272)	(22,390,051)
TOTAL NET POSITION	($19,805,390)	($22,545,416)

* The 2021 figures have not been updated for the adoption of GASB 87.

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 4.

The District's net position reflects its investment in capital assets, and capital projects (i.e. land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, $281,615, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these amounts are restricted for debt service and capital projects. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see table), which shows the changes in net position for fiscal year 2022.

RESULTS OF OPERATIONS:
For the fiscal years ended June 30, 2022 and 2021, the District wide results of operations were:

	2022	2021 *
REVENUES		
Program Revenues		
Charges for Services	$459,080	$218,822
Operating Grants	6,997,496	6,171,748
Total Program Revenues	$7,456,576	$6,390,570
General Revenues:		
Property Taxes	2,126,710	2,062,046
State Sources - Unrestricted	11,673,140	11,162,282
Interdistrict Sources	138,234	145,468
Other General Revenues	86,975	192,518
Total General Revenues	$14,025,059	$13,562,314
Total Revenues	$21,481,635	$19,952,884
EXPENSES		
Instruction & Instructional Support	10,144,097	11,180,133
Support Services	5,700,755	6,095,607
Community Services	113,239	122,692
Food Service	1,214,175	989,577
Student Activities	295,001	209,471
Interest on Long-Term Debt	664,206	737,742
Depreciation/Amortization	610,136	595,860
Total Expenses	$18,741,609	$19,931,082
CHANGE IN NET POSITION	$2,740,026	$21,802

* The 2021 figures have not been updated for the adoption of GASB 87.

The District's net position increased by $2,740,026 during the current fiscal year. The increase in net position differs from the change in fund balances and a reconciliation appears on page 6.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

Student Enrollment
Student enrollment decreased from 1,474 in 2020-21 to 1,443 in 2021-22.

General Fund Budgeting and Operating Highlights
The School District's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

During the fiscal year ended June 30, 2022, the School District amended the budget of the General Fund two times. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the School District's general fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The general fund actual revenue and other financing sources was \$18,174,751. That amount is less than the final budget estimate of \$18,327,781. The variance was \$153,030 or less than 1%.

The actual expenditures and other financing uses of the general fund were \$17,515,566 which is below the final budget estimate of \$17,745,219. The variance was \$229,653 or 1%.

The general fund had total revenues of \$18,174,751 and total expenditures of \$17,515,566 with a net increase in fund balance of \$659,185 and an ending fund balance of \$6,225,623.

Capital Asset and Debt Administration

A. Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2022 amounted to \$15,470,749 (net of accumulated depreciation/amortization). This investment in capital assets included land, land improvements, machinery and equipment, and licensed vehicles. Capital assets at fiscal year-end included the following:

	Capital Assets (Net of Depreciation)	
	2022	2021 *
Land	\$49,925	\$49,925
Buildings and Improvements	14,185,538	14,420,863
Equipment and Furniture	1,067,244	980,362
Vehicles	168,042	135,199
Total capital assets, net	\$15,470,749	\$15,586,349

* The 2021 figures have not been updated for the adoption of GASB 87.

Additional information on the District's capital assets can be found in Note 4.

Capital Asset and Debt Administration (Continued)

B. Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $16,431,275. Long-term debt at fiscal year-end included the following:

	Long-Term Debt	
	2022	2021
General Obligation Bonds	$14,630,573	$16,051,579
Notes from Direct Borrowings and Direct Placements	1,563,102	1,024,721
Compensated Absences	237,600	233,504
Total Long-Term Debt	$16,431,275	$17,309,804

* The 2021 figures have not been updated for the adoption of GASB 87.

The District's total bonded debt decreased by $1,420,000 during the current fiscal year due to the District making scheduled debt payments. Additional information on the District's long-term debt can be found in Note 6.

Economic Factors and Next Year's Budget

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2022-23 fiscal year:

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of $8,900 per pupil for the 2022-23 fiscal year, a $200 per pupil increase from 2021-22, based on information received from various educational organizations such as Michigan School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions with local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan will all affect this estimate before the final foundation allowance is known.

* Retirement Rate

The continuing cost of health insurance to current and potential retirees continues to drive the rate increase the Michigan School Employees Retirement System recommends to the legislature for approval. In 2022-23, the rate is anticipated to remain at 28.23%. Additionally, the District will be required to pay 15.05%, for all wages earned for the Unfunded Actuarial Accrued Liability (UAAL).

* The Montrose Community Schools' 2022/2023 adopted budget is as follows:

REVENUE	$18,446,049
EXPENDITURES	18,588,403
NET (UNDER) BUDGET	($142,354)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Montrose Community Schools.

BASIC FINANCIAL STATEMENTS

MONTROSE COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$5,773,813
Receivables:	
Accounts Receivable	29,267
Due from Other Governmental Units	3,681,051
Prepaid Expenditures	52,341
Capital Assets, Non-Depreciable - Land	49,925
Capital Assets, Net of Accumulated Depreciation/Amortization	15,420,824
Total Assets	$25,007,221
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding	63,091
Related to Pensions	4,482,745
Related to Postemployment Benefits	1,901,368
Total Deferred Outflows of Resources	$6,447,204
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$31,454,425
LIABILITIES	
Accounts Payable	456,462
Due to Other Governmental Units	251,111
Salaries Payable	903,234
Accrued Expenditures	411,983
Unearned Revenue	190,467
Non-Current Liabilities - Due Within One Year	1,466,006
Non-Current Liabilities - Due in More than One Year	14,965,269
Net Pension Liability	19,124,859
Net Other Postemployment Benefits Liability	1,241,708
Total Liabilities	$39,011,099
DEFERRED INFLOWS OF RESOURCES	
Related to State Aid Funding for Pension and Other Postemployment Benefits	1,269,976
Related to Pensions	6,284,112
Related to Other Postemployment Benefits	4,694,628
Total Deferred Inflows of Resources	$12,248,716
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$51,259,815
NET POSITION	
Net Investment in Capital Assets	903,267
Restricted	281,615
Unrestricted	(20,990,272)
TOTAL NET POSITION	($19,805,390)

See notes to the financial statements.

MONTROSE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges For Services	Program Revenues: Program Specific Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Change in Net Position
Governmental Activities:				
Instruction	$10,144,097	$147,203	$5,375,207	($4,621,687)
Support Services	5,700,755	73,100	304,157	(5,323,498)
Community Services	113,239	0	0	(113,239)
Food Service	1,214,175	46,640	1,318,132	150,597
Student Activities	295,001	192,137	0	(102,864)
Interest - Long-Term Obligations	664,206	0	0	(664,206)
Depreciation/Amortization - Unallocated	610,136	0	0	(610,136)
Total Governmental Activities	$18,741,609	$459,080	$6,997,496	($11,285,033)

General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	683,886
Property Taxes, Levied for Debt Retirement	1,267,762
Property Taxes, Levied for Capital Projects	175,062
State Sources - Unrestricted	11,673,140
Interdistrict Sources	138,234
Interest	518
Other General Revenues	86,457
Total General Revenues	$14,025,059
Change in Net Position	$2,740,026
Net Position - Beginning of Year	(22,545,416)
Net Position - End of Year	($19,805,390)

See notes to the financial statements.

MONTROSE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$4,252,769	$1,521,044	$5,773,813
Receivables:			
Accounts Receivable	28,722	545	29,267
Due from Other Funds	173,288	0	173,288
Due from Other Governmental Units	3,663,857	17,194	3,681,051
Prepaid Expenditures	52,341	0	52,341
TOTAL ASSETS	$8,170,977	$1,538,783	$9,709,760
LIABILITIES			
Accounts Payable	$290,420	$166,042	$456,462
Due to Other Funds	0	173,288	173,288
Due to Other Governmental Units	251,111	0	251,111
Salaries Payable	902,523	711	903,234
Accrued Expenditures	318,996	362	319,358
Unearned Revenue	182,304	8,163	190,467
Total Liabilities	$1,945,354	$348,566	$2,293,920
FUND BALANCES			
Non-Spendable			
Prepaid Expenditures	52,341	0	52,341
Restricted			
Debt Retirement	0	122,660	122,660
Food Service	0	520,534	520,534
Capital Projects	0	251,580	251,580
Committed			
Student Activities	0	295,443	295,443
Assigned			
Subsequent Year Expenditures	142,354	0	142,354
Unassigned	6,030,928	0	6,030,928
Total Fund Balances	$6,225,623	$1,190,217	$7,415,840
TOTAL LIABILITIES AND FUND BALANCES	$8,170,977	$1,538,783	$9,709,760

See notes to the financial statements.

MONTROSE COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2022

Total Governmental Fund Balances:		$7,415,840
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred Outflows of Resources - Related to Pensions		4,482,745
Deferred Outflows of Resources - Related to Postemployment Benefits		1,901,368
Deferred Inflows Related to State Aid Funding for Pension and Other Postemployment Benefits		(1,269,976)
Deferred Inflows of Resources - Related to Pensions		(6,284,112)
Deferred Inflows of Resources - Related to Other Postemployment Benefits		(4,694,628)
Deferred Inflows of Resources - Related to Refunding		63,091
Capital assets used in governmental activities are not financial resource and therefore are not reported as assets in governmental funds.		
Capital Assets	$32,314,063	
Less: Accumulated Depreciation/Amortization	(16,843,314)	
Capital Assets, Net of Accumulated Depreciation/Amortization		15,470,749
Accrued Interest on Long-Term Debt		(92,625)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General Obligation Bonds	$14,630,573	
Notes from Direct Borrowings and Direct Placements	1,563,102	
Compensated Absences Payable	237,600	
Total Long-Term Liabilities		(16,431,275)
Net Pension Liability		(19,124,859)
Net Other Postemployment Benefits Liability		(1,241,708)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		($19,805,390)

See notes to the financial statements.

MONTROSE COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
Local Sources	$932,170	$1,740,595	$2,672,765
State Sources	14,879,475	36,405	14,915,880
Federal Sources	2,168,872	1,585,884	3,754,756
Interdistrict Sources	138,234	0	138,234
Total Revenues	$18,118,751	$3,362,884	$21,481,635
EXPENDITURES			
Instruction	11,072,742	0	11,072,742
Student Services	792,603	0	792,603
Instructional Support	792,932	0	792,932
General Administration	342,221	0	342,221
School Administration	1,046,437	0	1,046,437
Business Administration	329,185	0	329,185
Operation & Maintenance of Plant	1,695,328	0	1,695,328
Transportation	602,185	0	602,185
Support Services - Other	639,165	0	639,165
Community Services	124,123	0	124,123
Outgoing Transfers and Other Uses	77,719	0	77,719
Food Service	0	1,248,346	1,248,346
Student Activities	0	295,001	295,001
Debt Retirement		2,062,970	2,062,970
Capital Projects	0	165,311	165,311
Total Expenditures	$17,514,640	$3,771,628	$21,286,268
Excess (Deficiency) of Revenues Over (Under) Expenditures	$604,111	($408,744)	$195,367
OTHER FINANCING SOURCES (USES)			
Transfer In	56,000	926	56,926
Transfers Out	(926)	(56,000)	(56,926)
Bond Proceeds	0	508,118	508,118
Total Other Financing Sources (Uses)	$55,074	$453,044	$508,118
Net Change in Fund Balance	$659,185	$44,300	$703,485
FUND BALANCE - BEGINNING OF YEAR	5,566,438	1,145,917	6,712,355
FUND BALANCE - END OF YEAR	$6,225,623	$1,190,217	$7,415,840

See notes to the financial statements.

MONTROSE COMMUNITY SCHOOLS
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

Total net change in fund balances - governmental funds	$703,485
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.	
Capital Outlay	494,536
Depreciation/Amortization Expense	(610,136)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments reported as expenditures in the governmental funds.	1,420,000
Net Change - MI School Bond Loan Fund	(538,381)
Amortization of:	
Bond Discounts	(6,400)
Bond Premiums	7,406
Deferred Charge on Refunding	(6,242)
Change in accrued interest on long-term liabilities	14,263
Change in accrued compensated absences	(4,096)
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.	
State Aid Funding for Pension and Other Postemployment Benefits	(260,693)
Pension Related Items	333,320
OPEB Related Items	1,192,964
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$2,740,026

See notes to the financial statements.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B) REPORTING ENTITY

The District is governed by an elected seven-member Board of Education. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are part of the District's reporting entity and which organizations are legally separate component units of the District. Based on application of the criteria, the District does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

C) 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D) BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the District's funds, including its fiduciary funds (if any). Separate statements for each fund category - governmental and fiduciary – 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 School District reports the following major governmental fund:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for and reported in another fund.

Other Non-Major Funds:

Special Revenue Funds - The special revenue funds 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 food service and student/school activities in the special revenue funds.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

Debt Retirement Funds - The Debt Retirement Fund are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Sinking Funds - The Capital Projects Sinking Funds records capital project activities funded with Sinking Fund millage. For this fund, the school district has complied with the applicable provision of §1212 of the Revised School Code.

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. While these balances are reported in the 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 the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E) MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to the financial statements is determined by its 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 are primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fiduciary Fund Financial Statements (if any) are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) MEASUREMENT FOCUS, BASIS OF ACCOUNTING (Continued)

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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 (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

G) PREPAID COSTS

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a $5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period of the estimated useful lives. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 20 years
Vehicles and Buses	5 – 10 years

I) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net position.

J) UNEARNED REVENUE

The District reports unearned revenue on its governmental funds balance sheet. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

K) COMPENSATED ABSENCES

The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation, sick leave, and severance benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts are included both for employees who are currently eligible to receive termination payments and for other employees who are expected to become eligible in the future to receive such payments upon termination.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L) LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

M) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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 three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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 qualifies for reporting in this category. The first is restricted state aid funding deferred to offset deferred outflows related to section 147c pension and other postemployment benefit 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.

N) DEFINED BENEFIT PLAN

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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O) 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.

P) FUND BALANCE FLOW ASSUMPTION
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.

Q) FUND BALANCE POLICIES
Fund balances for each of the District's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

* Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

* Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The District's Debt Retirement Fund and Food Service balances are considered restricted.

* Committed fund balance – amounts that have been formally set aside by specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.

* Assigned fund balance - amounts the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.

* Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 5% of the preceding year's expenditures.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R) LEASES

Lessee: The District is a lessee for a noncancelable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements when material to the financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

* The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

* The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position. The District did not have any items to report as capital assets and lease liabilities as of June 30, 2022.

S) REVENUE

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

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

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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S) REVENUE (Continued)

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

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

T) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

U) MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL

The accompanying financial statements have been prepared on a basis substantially consistent with the Michigan Public School Accounting Manual (Bulletin 1022), which outlines the accounting procedures and policies for school districts required by the Michigan State Board of Education.

V) BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

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

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V) BUDGETARY INFORMATION (Continued)

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2022. The District does not consider these amendments to be significant.

2) DEPOSITS AND INVESTMENTS

As of June 30, 2022, the District had no 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, $5,741,407 of the District's bank balance of $6,361,621 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 $5,773,813.

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.

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.

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.

2) DEPOSITS AND INVESTMENTS (Continued)

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 measurement level with 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.

3) RECEIVABLES – DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at June 30, 2022, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

GOVERNMENTAL ACTIVITIES	AMOUNT
State Aid	$ 2,655,604
Federal Grants	863,672
Other	161,775
TOTAL	$ 3,681,051

4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Assets Not Being Depreciated				
Land	$49,925	$0	$0	$49,925
Capital Assets Being Depreciated/Amortized				
Buildings and Improvements	26,784,228	249,291	0	27,033,519
Furniture and Equipment	4,787,136	200,377	0	4,987,513
Vehicles and Buses	198,238	44,868	0	243,106
Total Capital Assets Being Depreciated	$31,769,602	$494,536	$0	$32,264,138
Less: Accumulated Depreciation/Amortization				
Buildings and Improvements	(12,363,365)	(484,616)	0	(12,847,981)
Furniture and Equipment	(3,806,774)	(113,495)	0	(3,920,269)
Vehicles and Buses	(63,039)	(12,025)	0	(75,064)
Total Accum. Depreciation/Amortization	($16,233,178)	($610,136)	$0	($16,843,314)
Net Capital Assets Being Depreciated/Amortized	$15,536,424	($115,600)	$0	$15,420,824
NET CAPITAL ASSETS	$15,586,349	($115,600)	$0	$15,470,749

4) CAPITAL ASSETS (Continued)
Depreciation/amortization expense was unallocated on the Statement of Activities as the District considers all fixed assets to have mixed use.

Net investment in capital assets consists of the following:

Capital Assets	$ 32,314,063
Less: Accumulated Depreciation/Amortization	(16,843,314)
Add: Deferred Charge on Refunding	63,091
Less: Related Long-Term Liabilities	(14,630,573)
NET INVESTMENT IN CAPITAL ASSETS	$ 903,267

5) SHORT-TERM DEBT
The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2022.

6) GENERAL LONG-TERM DEBT
The following is a summary of long-term obligations for the District for the year ended June 30, 2022:

Governmental Activities:	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
General Obligation Bonds	$16,051,579	$0	$1,421,006	$14,630,573	$1,466,006
Notes from Direct Borrowings and Direct Placements	1,024,721	538,381	0	1,563,102	0
Compensated Absences	233,504	4,096	0	237,600	0
Total Governmental Activities	$17,309,804	$542,477	$1,421,006	$16,431,275	$1,466,006

GENERAL OBLIGATIONS BONDS

2001 School Building and Site Bonds - dated April 15, 1997, in the amount of $7,925,000, bearing interest at rates varying from 6% to 6.2% per annum, paid in full during the year.	$ 0
2011 School Building & Site Bonds Series A - dated May 17, 2011, in the amount of $12,800,000 with interest rates ranging from 1.6% to 6.2% per annum, matures in 2026. These bonds were issued under the ARRA Construction funding program and the interest to be paid on the bonds will be subsidized by the US Treasury up to 5.43% for each interest payment. The total subsidy and resultant interest savings to the District is $6,350,797 over the 15 year life of the bonds.	5,020,000
2015 Refunding Bonds – dated March 19, 2015, in the amount of $2,020,000 with interest rates ranging from 2.25% to 3% per annum, matures in 2027.	2,020,000
2019 Refunding Bonds - dated December 19, 2019, in the amount of $7,585,000, bearing interest at rates varying from 2.412% to 2.612% per annum, matures in 2030.	7,585,000

6) GENERAL LONG-TERM DEBT (Continued)

Bond Issuance Discount	$ (19,115)
Bond Premium	24,688
TOTAL GENERAL OBLIGATION BONDS	$ 14,630,573
NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS	
Michigan School Bond Loan Fund - The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of $30,263 has been assessed for the year ended June 30, 2022, and is included in the amount owing the State at that date. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.	1,563,102
COMPENSATED ABSENCES Compensated absences include unused sick pay and vacation pay. Unused sick pay is calculated using the termination payoff rate for eligible employees times the number of unused days. Vacation payouts are computed using an average daily rate times the number of days.	237,600
TOTAL GENERAL LONG-TERM OBLIGATIONS	$ 16,431,275

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $1,563,102 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.

6) GENERAL LONG-TERM DEBT (Continued)
The annual requirements to amortize long-term obligations outstanding exclusive of employment benefit obligation payments as of June 30, 2022 are as follows:

	General Obligation Bonds		**Notes from Direct Borrowings and Direct Placements**		
	Principal	Interest	Principal	Interest	Total
June 30, 2023	$1,466,006	$549,956	$0	$0	$2,015,962
June 30, 2024	1,491,006	478,562	0	0	1,969,568
June 30, 2025	2,041,091	403,632	0	0	2,444,723
June 30, 2026	2,047,470	293,227	0	0	2,340,697
June 30, 2027	1,810,000	189,702	0	0	1,999,702
June 30, 2028-2030	5,775,000	296,066	0	0	6,071,066
Thereafter	0	0	1,563,102	0	1,563,102
TOTAL	$14,630,573	$2,211,145	$1,563,102	$0	$18,404,820

Interest expense (all funds) for the year ended June 30, 2022 was $641,870.

7) INTERFUND ACTIVITY
Interfund balances at June 30, 2022 consisted of the following:

DUE TO	DUE FROM: General Fund
Cafeteria Fund	$173,056
Debt Retirement	232
TOTAL	$173,288

These balances resulted 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.

8) INTERFUND TRANSFERS
Interfund transfers for the year ended June 30, 2022, consisted of the following:

TRANSFERS TO	TRANFERS FROM: General Fund	Cafeteria Fund	TOTAL
General Fund	$0	$56,000	$56,000
Cafeteria Fund	926	0	926
TOTAL	$926	$56,000	$56,926

Transfers are made to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers were made from the Cafeteria fund to the General Fund for indirect costs.

9) TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. There were no property taxes abated.

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

10) RESTRICTED NET POSITION

Restricted net position consists of the following:

Debt Retirement	$122,660
Less: Accrued Interest	(92,625)
Sinking Capital Projects	251,580
TOTAL	$281,615

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS

General Information about the Michigan Public School Employees' Retirement System (MPSERS) pension and OPEB plans.

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) 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. The board consists of twelve members- eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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 the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided - Overall

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. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

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 healthcare 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 Jan. 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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 Sept. 3, 2012 or were on an approved professional services or military leave of absence on Sept. 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 Feb. 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 were deposited into their 401(k) account.

Contributions

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

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer contributions to the Pension & OPEB 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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the Sept. 30, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

The schedule below summarizes **pension** contribution rates in effect for fiscal year ended September 30, 2021.

Benefit Structure	Member	Employer
Basic	0.0 – 4.0%	19.78%
Member Investment Plan	3.0 – 7.0%	19.78%
Pension Plus	3.0 – 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

The schedule below summarizes **OPEB** contribution rates in effect for fiscal year ended September 30, 2021.

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Pension contributions were approximately $2,725,000, with $2,688,000 specifically for the Pension Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. OPEB benefits were approximately $657,000, with $631,000 specifically for the OPEB Defined Benefit Plan.

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

At June 30, 2022, *the District* reported a liability of $19,124,859 for its proportionate share of the MPSERS net pension liability. 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 rolled forward from September 2020. The District*'s* proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.08077 percent, which was an increase of 0.0009 percent from its proportion measured as of September 30, 2020.

MPSERS (Plan) Non-University Employers	September 30, 2021	September 30, 2020
Total Pension Liability	$86,392,473,395	$85,290,583,799
Plan Fiduciary Net Position	62,717,060,894	50,939,496,006
Net Pension Liability	$23,675,412,501	$34,351,087,793
Proportionate Share	0.08077%	0.07986%
Net Pension Liability for the District	$19,124,859	$27,432,421

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the year ending June 30, 2022, the District recognized pension expense of $2,396,316. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences Between Actual and Expected Experience	$296,252	($112,623)
Changes of Assumptions	1,205,563	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	(6,148,581)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	494,232	(22,908)
Employer Contributions Subsequent to the Measurement Date	2,486,698	0
TOTAL	$4,482,745	($6,284,112)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending Sept. 30,	Amount
2022	($285,795)
2023	(940,046)
2024	(1,426,922)
2025	(1,635,302)

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

At June 30, 2022, the District reported a liability of $1,241,708 for its proportionate share of the MPSERS net OPEB liability. 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 rolled forward from September 2020. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021 the District's proportion was 0.08135 percent, which was an increase of 0.003 percent from its proportion measured as of October 1, 2020.

MPSERS (Plan) Non-University Employers	September 30, 2021	September 30, 2020
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	0.08135%	0.07837%
Net Other Postemployment Benefits Liability for the District	$1,241,708	$4,198,352

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the year ending June 30, 2022, the District recognized OPEB expense of $(605,858). At June 30, 2022, the District 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
Differences Between Actual and Expected Experience	$0	($3,544,367)
Changes of Assumptions	1,038,006	(155,324)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	(935,898)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	314,036	(59,039)
Employer Contributions Subsequent to the Measurement Date	549,326	0
TOTAL	$1,901,368	($4,694,628)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. 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 Ending Sept. 30,	Amount
2022	($847,656)
2023	(789,857)
2024	(753,661)
2025	(707,212)
2026	(215,880)
Thereafter	(28,320)

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80% Net of Investment Expenses
- Pension Plus Plan:	6.80% Net of Investment Expenses
- Pension Plus 2 Plan:	6.00% Net of Investment Expenses
- OPEB	6.95% Net of Investment Expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Summary of Actuarial Assumptions (Continued)

Mortality: - 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 Members:	RP-2014 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions OPEB	
Healthcare Cost Trend Rate:	Pre-65 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- 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 coverages 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.

***Notes**:*

Pension

* *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.*

* *Recognition period for pension liabilities is the average of the expected remaining service lives of all employees in years: [4.4367 for non-university employers].*

* *Recognition period for assets in years is 5.0000.*

OPEB

* *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.*

* *Recognition period for OPEB liabilities is the average of the expected remaining service lives of all employees in years: [6.1312 for non-university employers].*

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Summary of Actuarial Assumptions (Continued)

* *Recognition period for assets in years: 5.0000*

* *Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Investment Category	Target Allocation*	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity	15.0%	7.5%
Fixed Income Pools	10.5%	-0.7%
Real Estate and Infrastructure Pools	10.0%	5.4%
Absolute Return Pools	9.0%	2.6%
Real Return/Opportunistic Pools	12.5%	6.1%
Short Term Investment Pools	2.0%	-1.3%
Total	**100.0%**	

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

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

Discount Rate – Pension
A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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.

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate – OPEB

A 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 employer 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 District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the District'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 higher:

	Pension		
	1% Decrease 5.8%/5.8%/5.0%	Current Single Discount Rate Assumption 6.8%/6.8%/6.0%	1% Increase 7.8% /7.8%/7.0%
District's proportionate share of the net pension liability	$27,343,361	$19,124,859	$12,311,181

* Discount rates listed in the following order: Basis and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the District'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 Benefit		
	1% Decrease 5.95%	Discount Rate 6.95%	1% Increase 7.95%
District's proportionate share of the net other postemployment benefit liability	$2,307,317	$1,241,708	$337,386

Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District proportionate share of the net other postemployment benefit liability	$302,222	$1,241,708	$2,298,743

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension and OPEB Plan Fiduciary Net Position
Detailed information about the pension or OPEB plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

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).

12) RISK MANAGEMENT
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2022 or any of the prior 3 years.

13) COMMITMENTS AND CONTINGENCIES
In the ordinary course of business, the District is involved in various pending or threatened legal actions. The District believe that any ultimate liability arising from these actions will not have a material adverse effect on its financial position.

The District participates in a number of federal and state programs that require compliance with specific terms and conditions and are subject to audits by the contracting agencies. Management believes that the effect of any disallowed expenditures would be immaterial to the financial statements.

14) UPCOMING ACCOUNTING PRONOUNCEMENTS

Statement No. 91, Conduit Debt Obligations provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

14) UPCOMING ACCOUNTING PRONOUNCEMENTS (Continued)

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

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. This statement is effective for the year ending June 30, 2023.

The School District is evaluating the impact that the above pronouncements will have on its financial reporting.

15) CHANGE IN ACCOUNTING PRINCIPLE

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

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.

REQUIRED SUPPLEMENTARY

INFORMATION

MONTROSE COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget
REVENUES				
Local Sources	$801,611	$931,483	$932,170	$687
State Sources	13,904,842	14,923,833	14,879,475	(44,358)
Federal Sources	904,583	2,281,535	2,168,872	(112,663)
Total Revenues	$15,611,036	$18,136,851	$17,980,517	($156,334)
EXPENDITURES				
Instruction	10,439,957	11,160,539	11,072,742	87,797
Student Services	843,895	811,822	792,603	19,219
Instructional Support	604,023	786,841	792,932	(6,091)
General Administration	359,771	348,535	342,221	6,314
School Administration	1,016,278	1,060,327	1,046,437	13,890
Business Administration	345,159	334,095	329,185	4,910
Operation & Maintenance of Plant	1,551,860	1,766,459	1,695,328	71,131
Transportation	694,909	609,035	602,185	6,850
Support Services - Other	501,391	654,854	639,165	15,689
Community Services	116,436	126,864	124,123	2,741
Total Expenditures	$16,473,679	$17,659,371	$17,436,921	$222,450
Excess of Revenues Over Expenditures	($862,643)	$477,480	$543,596	$66,116
OTHER FINANCING SOURCES (USES)	157,325	105,082	115,589	10,507
Net Change in Fund Balance	($705,318)	$582,562	$659,185	$76,623
FUND BALANCE - BEGINNING OF YEAR			5,566,438	
FUND BALANCE - END OF YEAR			$6,225,623	

MONTROSE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINTED AS OF 9/30 OF EACH FISCAL YEAR)

	2021	2020	2019	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.08077%	0.07985%	0.07970%	0.07723%	0.07549%	0.07658%	0.07430%	0.07093%
Reporting unit's proportionate share of net pension liability	$19,124,859	$27,432,421	$26,395,100	$23,217,890	$19,563,793	$19,105,549	$18,148,195	$15,622,729
Reporting unit's covered-employee payroll	$7,269,409	$6,889,256	$6,893,862	$6,669,860	$6,214,146	$6,495,866	$6,157,111	$6,011,383
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	263.09%	398.19%	382.88%	348.10%	314.83%	294.12%	294.75%	259.89%
Plan fiduciary net position as a percentage of total pension liability	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 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

MONTROSE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS - PENSION
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINTED AS OF 6/30 OF EACH FISCAL YEAR)

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$2,425,500	$2,194,628	$2,117,353	$2,103,094	$1,770,743	$1,755,626	$1,433,375	$1,101,538
Contributions in relation to statutorily required contributions	2,425,500	2,194,628	2,117,353	2,103,094	1,770,743	1,755,626	1,433,375	1,101,538
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0
Reporting unit's covered-employee payroll	$7,353,817	$7,096,896	$6,881,896	$6,880,478	$6,537,979	$6,106,731	$6,157,111	$6,011,383
Contributions as a percentage of covered-employee payroll	32.98%	30.92%	30.77%	30.57%	27.08%	28.75%	23.28%	18.32%

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

MONTROSE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINTED AS OF 9/30 OF EACH FISCAL YEAR)

	2021	2020	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.08134%	0.07837%	0.07935%	0.07860%	0.07538%
Reporting unit's proportionate share of net OPEB liability	$1,241,708	$4,198,352	$5,695,852	$6,248,229	$6,675,296
Reporting unit's covered-employee payroll	$7,269,409	$6,889,256	$6,893,862	$6,669,860	$6,214,146
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	17.08%	60.94%	82.62%	93.68%	107.42%
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 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

MONTROSE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS - OPEB
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINTED AS OF 6/30 OF EACH FISCAL YEAR)

	2022	2021	2020	2019	2018
Statutorily required contributions	$603,897	$553,685	$544,853	$510,219	$586,869
Contributions in relation to statutorily required contributions	603,897	553,685	544,853	510,219	586,869
Contribution deficiency (excess)	$0	$0	$0	$0	$0
Reporting unit's covered-employee payroll	$7,353,817	$7,096,896	$6,881,896	$6,880,478	$6,537,979
Contributions as a percentage of covered-employee payroll	8.21%	7.80%	7.92%	7.42%	8.98%

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

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Special Revenue Fund (Food Service). All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District increased/decreased budgeted amounts during the year in response to changes in funding and related expenditures.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

During the year, Montrose Community Schools had the following expenditure budget variances.

	Final Budget	Actual	Variance With Final Budget
Instructional Support	$786,841	$792,932	($6,091)

PENSION

Benefit changes – there were no changes of benefit terms for the year ended September 30, 2021

Changes in assumptions – the assumption changes for the year ended September 30, 2021 were:

* The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.50% to 2.00%. While this assumption change had no impact on the Actuarial Accrued Liability, it did result in an increase in employer contribution requirements.

* The Non-Hybrid and Pension Plus plan investment return assumptions were lowered from 6.80% to 6.00%. This assumption change increased the Actuarial Accrued Liability as of the valuation date and the fiscal year 2024 employer contribution.

OPEB

Benefit changes – there were no changes of benefit terms for the year ended September 30, 2021

Changes in assumptions – the assumption changes for the year ended September 30, 2021 were:

* The medical and prescription drug trend rates used in the valuation were re-set to better reflect anticipated future experience. The change in medical and drug trend rates increased the Actuarial Accrued Liability and increased the actuarially computed employer contribution.

* The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.50% to 2.00%. While this assumption change had no impact on the Actuarial Accrued Liability, it increased the actuarially computed employer contribution.

* The investment return assumption was lowered from 6.95% to 6.00%. This change in investment return assumption increased the Actuarial Accrued Liability.

ADDITIONAL SUPPLEMENTARY INFORMATION

MONTROSE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue				Total
	Cafeteria Fund	Student Activities	Debt Fund	Sinking Capital Projects Fund	Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	$690,581	$295,259	$122,892	$412,312	$1,521,044
Receivables:					
Accounts Receivable	361	184	0	0	545
Due from Other Govt. Units	17,194	0	0	0	17,194
TOTAL ASSETS	$708,136	$295,443	$122,892	$412,312	$1,538,783
LIABILITIES					
Accounts Payable	$5,310	$0	$0	$160,732	$166,042
Due to Other Funds	173,056	0	232	0	173,288
Salaries Payable	711	0	0	0	711
Accrued Expenditures	362	0	0	0	362
Unearned Revenue	8,163	0	0	0	8,163
Total Liabilities	$187,602	$0	$232	$160,732	$348,566
FUND BALANCE					
Restricted					
Debt Retirement	0	0	122,660	0	122,660
Food Service	520,534	0	0	0	520,534
Capital Projects	0	0	0	251,580	251,580
Committed					
Student Activities	0	295,443	0	0	295,443
Total Fund Balance	$520,534	$295,443	$122,660	$251,580	$1,190,217
TOTAL LIABILITIES AND FUND BALANCES	$708,136	$295,443	$122,892	$412,312	$1,538,783

MONTROSE COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	Special Revenue				Total
	Cafeteria Fund	Student Activities	Debt Fund	Sinking Capital Projects Fund	Non-Major Governmental Funds
REVENUES					
Local Sources	$47,913	$249,856	$1,267,764	$175,062	$1,740,595
State Sources	36,405	0	0	0	36,405
Federal Sources	1,281,727	0	304,157	0	1,585,884
Total Revenues	$1,366,045	$249,856	$1,571,921	$175,062	$3,362,884
OTHER FINANCING SOURCES					
Transfers from Other Funds	926	0	0	0	926
Loan Proceeds	0	0	508,118	0	508,118
Total Other Financing Sources	$926	$0	$508,118	$0	$509,044
Total Revenues & Other Financing Sources	$1,366,971	$249,856	$2,080,039	$175,062	$3,871,928
EXPENDITURES					
Food Service	1,248,346	0	0	0	1,248,346
Student Activities	0	295,001	0	0	295,001
Debt Retirement				0	
Principal	0	0	1,420,000	0	1,420,000
Interest	0	0	641,870	0	641,870
Dues and Fees	0	0	1,100	0	1,100
Capital Projects	0	0	0	165,311	165,311
Total Expenditures	$1,248,346	$295,001	$2,062,970	$165,311	$3,771,628
OTHER FINANCING USES					
Transfers to Other Funds	56,000	0	0	0	56,000
Total Expenditures and Other Financing Uses	$1,304,346	$295,001	$2,062,970	$165,311	$3,827,628
Net Change in Fund Balance	$62,625	($45,145)	$17,069	$9,751	$44,300
FUND BALANCE - BEGINNING	457,909	340,588	105,591	241,829	1,145,917
FUND BALANCE - ENDING	$520,534	$295,443	$122,660	$251,580	$1,190,217

MONTROSE COMMUNITY SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2022

DATE OF ISSUE - May 17, 2011 Original amount of issue - $12,800,000

2011 SCHOOL BUILDING & SITE BONDS - SERIES A

PAYMENT DATE	PRINCIPAL REQUIREMENT	NOVEMBER INTEREST REQUIREMENT	MAY INTEREST REQUIREMENT	TOTAL PAYMENT
2023	$950,000	$154,655	$154,655	$1,259,310
2024	980,000	125,680	125,680	1,231,360
2025	1,540,000	95,790	95,790	1,731,580
2026	1,550,000	48,050	48,050	1,646,100
TOTAL	$5,020,000	$424,175	$424,175	$5,868,350

DATE OF ISSUE - March 19, 2015 Original amount of issue - $2,020,000

2015 REFUNDING BONDS

PAYMENT DATE	PRINCIPAL REQUIREMENT	NOVEMBER INTEREST REQUIREMENT	MAY INTEREST REQUIREMENT	TOTAL PAYMENT
2023	$515,000	$28,369	$28,369	$571,738
2024	510,000	22,575	22,575	555,150
2025	500,000	14,925	14,925	529,850
2026	495,000	7,425	7,425	509,850
TOTAL	$2,020,000	$73,294	$73,294	$2,166,588

MONTROSE COMMUNITY SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2022

DATE OF ISSUE - December 19, 2019 Original amount of issue - $7,585,000

2019 REFUNDING BONDS

PAYMENT DATE	PRINCIPAL REQUIREMENT	NOVEMBER INTEREST REQUIREMENT	MAY INTEREST REQUIREMENT	TOTAL PAYMENT
2023	$0	$94,851	$94,851	$189,702
2024	0	94,851	94,851	189,702
2025	0	94,851	94,851	189,702
2026	0	94,851	94,851	189,702
2027	1,810,000	94,851	94,851	1,999,702
2028	1,865,000	73,023	73,023	2,011,046
2029	2,000,000	50,065	50,065	2,100,130
2030	1,910,000	24,945	24,945	1,959,890
TOTAL	$7,585,000	$622,288	$622,288	$8,829,576

MONTROSE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass Through Grantor/ Program Title	Federal ALN	Pass - Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2021	Prior Year Expenditures	Current Year Expenditures	Adjustments Prior Years	Current Year Cash/ Payments In Kind Received	Accrued (Unearned) Revenue June 30, 2022
U.S. DEPARTMENT OF EDUCATION									
Passed Through Michigan Department of Education:									
Title I Grants to Local Educational Agencies:	84.010								
Title I Regular (20-21)		211530-2021	$303,480	$61,728	$298,802	$0	$0	$61,728	$0
Title I Regular (21-22)		221530-2022	296,557	0	0	295,786	0	166,617	129,169
Total ALN 84.010			$600,037	$61,728	$298,802	$295,786	$0	$228,345	$129,169
Rural Education - Title V	84.358								
Title V Part B (20-21)		210660-2021	29,319	13,755	19,735	6,100	0	19,855	0
Title V Part B (21-22)		220660-2022	36,476	0	0	28,034	0	0	28,034
Total ALN 84.358			$65,795	$13,755	$19,735	$34,134	$0	$19,855	$28,034
English Language Acquisition Grant - Title III	84.365								
Title III (20-21)		210570-2021	132	132	132	0	0	132	0
Title III (21-22)		220570-2022	473	0	0	0		0	0
Total ALN 84.365			$605	$132	$132	$0	$0	$132	$0
Title II - Supporting Effective Instruction	84.367								
Title IIA (20-21)		210520-2021	95,024	9,601	50,927	13,641	0	23,242	0
Title IIA (21-22)		220520-2022	72,395	0	0	24,596	0	0	24,596
Total ALN 84.367			$167,419	$9,601	$50,927	$38,237	$0	$23,242	$24,596
Student Support & Academic Enrichment - Title IV	84.424								
Title IV Part A (19-20)		210750-2021	18,389	40	8,235	0	0	40	0
Title IV Part A (21-22)		220750-2022	31,790	0	0	14,056	0	0	14,056
Total ALN 84.424			$50,179	$40	$8,235	$14,056	$0	$40	$14,056
Education Stabilization Fund									
Governor's Emergency Education Relief (GEER) Funds	84.425C	201200-2021	95,019	50,656	94,631	148	0	50,804	0
Covid 19 - GEER II - Teacher & Support Staff Payments	84.425C	211202-2122	29,250	0	0	29,250	0	29,250	0
Covid 19 - ESSER Formula Funds	84.425D	203710-1920	207,711	35,278	204,023	679	0	35,957	0
Covid 19 - ESSER II Formula Funds	84.425D	213712-2021	1,028,649	0	0	1,013,424	0	540,140	473,284
Covid 19 - ESSER II - Summer Programming K-8	84.425D	213722-2122	193,600	0	0	96,771	0	50,001	46,770
Covid 19 - ESSER II - Credit Recovery 9-12	84.425D	213742-2122	90,200	0	0	54,257	0	51,088	3,169
Covid 19 - ESSER II - Before and After School Programs K-1	84.425D	213752-2122	25,000	0	0	19,206	0	11,821	7,385
Total ALN 84.425			$1,669,429	$85,934	$298,654	$1,213,735	$0	$769,061	$530,608
Total Passed Through Michigan Department of Education			$2,553,464	$171,190	$676,485	$1,595,948	$0	$1,040,675	$726,463

MONTROSE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass Through Grantor/ Program Title	Federal ALN	Pass - Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2021	Prior Year Expenditures	Current Year Expenditures	Adjustments Prior Years	Current Year Cash/ Payments In Kind Received	Accrued (Unearned) Revenue June 30, 2022
U.S. DEPARTMENT OF EDUCATION(Continued)									
Passed Through Genesee Intermediate School District:									
Special Education - Grants to States:	84.027								
IDEA Flowthrough (20-21)		210450-2021	$409,020	$101,686	$374,448	$34,572	$0	$136,258	$0
IDEA Flowthrough (21-22)		220450-2022	382,777	0	0	382,777	0	271,047	111,730
Total ALN 84.027			$791,797	$101,686	$374,448	$417,349	$0	$407,305	$111,730
Special Education - Preschool	84.173								
Special Education - Preschool (20-21)		210460-2021	14,149	6,121	14,149	0	0	6,121	0
Special Education - Preschool (21-22)		220460-2022	7,557	0	0	7,557	0	4,433	3,124
Total ALN 84.173			$21,706	$6,121	$14,149	$7,557	$0	$10,554	$3,124
Total Special Education Cluster			$813,503	$107,807	$388,597	$424,906	$0	$417,859	$114,854
Vocational Education	84.048								
Perkins (20-21)		213520-2112-15	34,070	5,962	34,070	0	0	5,962	0
Perkins (21-22)		223520-2212-15	32,868	0	0	32,688	0	13,962	18,726
Total ALN 84.048			$66,938	$5,962	$34,070	$32,688	$0	$19,924	$18,726
Total Passed Through Genesee Intermediate School District			$880,441	$113,769	$422,667	$457,594	$0	$437,783	$133,580
TOTAL U.S. DEPARTMENT OF EDUCATION			$3,433,905	$284,959	$1,099,152	$2,053,542	$0	$1,478,458	$860,043
U.S. DEPARTMENT OF AGRICULTURE									
Passed Through Michigan Department of Education:									
Child Nutrition Cluster									
COVID-19 - Seamless Summer Option (SSO) Breakfast	10.553	211971	43,303	0	0	43,303	0	43,303	0
COVID-19 - Seamless Summer Option (SSO) Breakfast		221971	296,687	0	0	296,687	0	296,687	0
Total ALN #10.553			$339,990	$0	$0	$339,990	$0	$339,990	$0

MONTROSE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass Through Grantor/ Program Title	Federal ALN	Pass - Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2021	Prior Year Expenditures	Current Year Expenditures	Adjustments Prior Years	Current Year Cash/ Payments In Kind Received	Accrued (Unearned) Revenue June 30, 2022
U.S. DEPARTMENT OF AGRICULTURE (Continued)									
Passed Through Michigan Department of Education:									
Child Nutrition Cluster									
Non-Cash Assistance									
Entitlement Commodities	10.555	N/A	$29,732	$0	$0	$29,732	$0	$29,732	$0
Cash Assistance									
COVID-19 - Seamless Summer Option (SSO) Lunch	10.555	211961	93,461	0	0	93,461	0	93,461	0
COVID-19 - Seamless Summer Option (SSO) Lunch	10.555	221961	615,184	0	0	615,184	0	615,184	0
COVID-19 - Supply Chain Assistance Funds	10.555	220910	30,735	0	0	30,735	0	30,735	
COVID-19 - Emergency Operations - Meals	10.555	211965	10,319	0	0	10,319	0	10,319	0
COVID-19 - Seamless Summer Option (SSO) (Snacks)	10.555	211980	4,916	0	0	4,916	0	4,916	0
Total Cash Assistance ALN #10.555			$784,347	$0	$0	$784,347	$0	$784,347	$0
COVID-19 - Summer Food Service Program for Children	10.559	210904	217,587	100,816	100,816	120,400	0	217,587	3,629
Total Nutrition Cluster			$1,341,924	$100,816	$100,816	$1,244,737	$0	$1,341,924	$3,629
Child and Adult Care Food Program	10.558	211925	2,594	0	0	2,594	0	2,594	0
Child and Adult Care Food Program	10.558	221920	31,542	0	0	31,542	0	31,542	0
Child and Adult Care Food Program	10.558	222010	2,240	0	0	2,240	0	2,240	0
Total ALN 10.558			$36,376	$0	$0	$36,376	$0	$36,376	$0
Covid 19 - Pandemic EBT Local level Costs	10.649	210980	614	0	0	614	0	614	0
TOTAL U.S. DEPARTMENT OF AGRICULTURE			$1,378,914	$100,816	$100,816	$1,281,727	$0	$1,378,914	$3,629
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed Through Genesee Intermediate School District									
Medicaid Administrative Outreach	93.778	N/A	3,293	0	0	3,293	0	3,293	0
TOTAL FEDERAL AWARDS			$4,816,112	$385,775	$1,199,968	$3,338,562	$0	$2,860,665	$863,672

MONTROSE COMMUNITY SCHOOLS
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	$3,338,562
FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS	
General Fund	$2,168,872
Food Service Fund	1,281,727
Debt Retirement Fund	304,157
Total Federal Revenue	$3,754,756
Less: QZAB Interest Subsidies (Not Part of Single Audit)	(304,157)
Less: Child Care Stabilization (Not Part of Single Audit)	(108,808)
Less: Cares CRF Tuition (Not Part of Single Audit)	(3,229)
TOTAL	$3,338,562

1) Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Montrose Community Schools for the year ended June 30, 2022.

   The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the schedule presents only a selected portion of the operations of Montrose Community Schools, it is not intended to and does not present the financial position or changes in net position of Montrose Community Schools.

   Management has utilized the NexSys System in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor's Report have been reconciled in the attached reconciliation on page 44 of this report.

   The District qualifies for low-risk auditee status.

2) Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Expenditures are recognized following the cost principles in the Uniform Guidance as applicable, 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.

   The District has elected not to use the 10 percent de minimIs indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

3) Noncash Assistance - The value of noncash assistance received was determined in accordance with the provisions of the Uniform Guidance. The grantee received no noncash assistance during the year ended June 30, 2022 that is not included on the schedule of expenditures of federal awards.

4) The District did not pass-through any federal awards to sub recipients.

MONTROSE COMMUNITY SCHOOLS
RECONCILIATION OF "GRANT AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Current Payments Per the Grant Auditor's Report		
Nexsys System		$2,389,857
Add: Grants Passed Through the Genesee Intermediate School District		
Special Education - Grants to States (ALN 84.027)	$407,305	
Special Education - Preschool (ALN 84.173)	10,554	
Perkins (ALN 84.048)	19,924	
Medicaid Administrative Outreach (ALN 93.778)	3,293	
Total Grants Passed Through Genesee Intermediate School District		441,076
Entitlement and Bonus Commodities		29,732
TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		$2,860,665

October 20, 2022

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
Montrose Community Schools

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 Montrose Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Montrose Community Schools' basic financial statements, and have issued our report thereon dated October 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Montrose Community Schools' 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 the Montrose Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Montrose Community Schools' 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 the Montrose Community Schools' 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*.

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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.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Lewis & Knopf
CPAs, PC

October 20, 2022

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

To the Board of Education of
Montrose Community Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Montrose Community Schools 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 Montrose Community Schools' major federal programs for the year ended June 30, 2022. Montrose Community Schools' 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, Montrose Community Schools 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 Montrose Community Schools 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 Montrose Community Schools' 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 Montrose Community Schools' federal programs.

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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 Montrose Community Schools' 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 Montrose Community Schools' 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 Montrose Community Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Montrose Community Schools' 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 Montrose Community Schools' 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.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency (ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency (ies) identified? ☐ Yes ☒ 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 Section 2 CFR 200.516 (a)? ☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.425C/84.425D	Education Stabilization Fund

Dollar threshold use to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the current year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2022-001 (Repeat Finding)

Program Name – (Nutrition Cluster) National School Breakfast and National School Lunch, U.S. Department of Agriculture, passed though Michigan Department of Education. CFDA #10.553/10.555/10.559.

Pass-through Entity – Michigan Department of Education

Finding Type - Noncompliance

Criteria – Federal register section 7 CFR Part 210.14b requires school districts to limit its School Breakfast and Lunch Fund net resources to an amount that does not exceed three months average expenditures.

Condition – The District's net cash resources exceeded three months average expenditures at June 30, 2022.

Questioned Costs – None

Context – The District did not meet the three months average expenditure test at June 30, 2022.

Cause/Effect – Management did not monitor net cash resources to ensure they did not exceed three months average expenditures.

Recommendation: We recommend that the District review the Food Service Fund net cash resources periodically to ensure that the fund will not have an excess of three months average expenditures at the fiscal year end. The District should take this requirement into consideration when preparing the annual budget, and any subsequent adjustments to the budget.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-001

Program Name – (Nutrition Cluster) National School Breakfast and National School Lunch, U.S. Department of Agriculture, passed though Michigan Department of Education. CFDA #10.553/10.555/10.559.

Pass-through Entity – Michigan Department of Education

Finding Type - Noncompliance

Criteria – Federal register section 7 CFR Part 210.14b requires school districts to limit its School Breakfast and Lunch Fund net resources to an amount that does not exceed three months average expenditures.

Condition – The District's net cash resources exceeded three months average expenditures at June 30, 2021.

Questioned Costs – None

Context – The District did not meet the three months average expenditure test at June 30, 2021.

Cause/Effect – Management did not monitor net cash resources to ensure they did not exceed three months average expenditures.

Recommendation: We recommend that the District review the Food Service Fund net cash resources periodically to ensure that the fund will not have an excess of three months average expenditures at the fiscal year end. The District should take this requirement into consideration when preparing the annual budget, and any subsequent adjustments to the budget.

MONTROSE
COMMUNITY SCHOOLS
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Preparing Students Today for the Opportunities of Tomorrow

2022 SINGLE AUDIT CORRECTIVE ACTION PLAN

Finding Number	Responsible Person	Management Views	Corrective Action	Anticipated Completion Date
2022-001	Superintendent, Food Service Director, Shared-Time Director of Business	The District agrees with the recommendations, and will develop a spend-down plan	The School District will develop a spend-down plan for reducing the Food Service Fund Balance to compliance level during the 2022-23 fiscal year, and will submit the Plan to the Michigan Department of Education for approval, as required.	June 30, 2023

Respectfully submitted October 10, 2022.

Rebecca Boggs
Shared-Time Director of Business

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Lewis & Knopf
CPAs, PC

October 20, 2022

To the Board of Education of
Montrose Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montrose Community Schools for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2022. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Montrose Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2021-2022 year. During the fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 87, *Leases*. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Estimates have been used to calculate the net pension and net OPEB liabilities.
>
> Estimates have been used in calculating the liability for employee compensated absences.
>
> We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's determination of the estimated life span of the capital assets.
>
> We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

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Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

<u>Other Matters</u>

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

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

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Montrose Community Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Lewis & Knopf CPAs, PC