

**MECOSTA-OSCEOLA INTERMEDIATE
SCHOOL DISTRICT**

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

YEAR ENDED JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta-Osceola Intermediate School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Mecosta-Osceola Intermediate School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta-Osceola Intermediate School District, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mecosta-Osceola Intermediate School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mecosta-Osceola Intermediate School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mecosta-Osceola Intermediate School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2025 on our consideration of Mecosta-Osceola Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mecosta-Osceola Intermediate School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mecosta-Osceola Intermediate School District's internal control over financial reporting and compliance.

Maney Costeiran PC

October 14, 2025

MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mecosta-Osceola Intermediate School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

FINANCIAL HIGHLIGHTS

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

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by (\$7,112,942) (*net position*).
- During the year the net position increased by \$8,645,174.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$15,885,439, an increase of \$1,994,618 in comparison with the prior year.
- At the end of the current fiscal year, the aggregated fund balances for the District's operating funds (general fund, special education fund, and vocational education fund) was \$10,673,898 or 31% of the total expenditures of these operating funds. On pages 17 you will find a breakdown of the fund balance of the three major funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the District include instruction, support services, community service and transfers to locals and other services. The District has no business-type activities as of and for the year ended June 30, 2025.

MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table shows the District's net position for 2025 and 2024.

Mecosta-Osceola Intermediate School District District's Net Position		
	Governmental Activities	
	2025	2024*
ASSETS		
Current assets	\$ 22,855,561	\$ 20,747,911
Net other postemployment benefits asset	5,035,111	643,603
Capital assets, net	8,822,548	8,052,831
TOTAL ASSETS	36,713,220	29,444,345
DEFERRED OUTFLOWS OF RESOURCES	9,922,165	13,250,458
LIABILITIES		
Current liabilities	6,970,122	6,857,090
Noncurrent liabilities	910,209	545,155
Net pension liability	28,218,168	37,069,713
TOTAL LIABILITIES	36,098,499	44,471,958
DEFERRED INFLOWS OF RESOURCES	17,649,828	13,607,137
NET POSITION		
Net investment in capital assets	8,822,548	8,030,728
Restricted for net other postemployment benefits	5,035,111	643,603
Unrestricted	(20,970,601)	(24,058,623)
TOTAL NET POSITION	\$ (7,112,942)	\$ (15,384,292)
*The 2024 numbers have not been updated for the adoption of GASB 101		

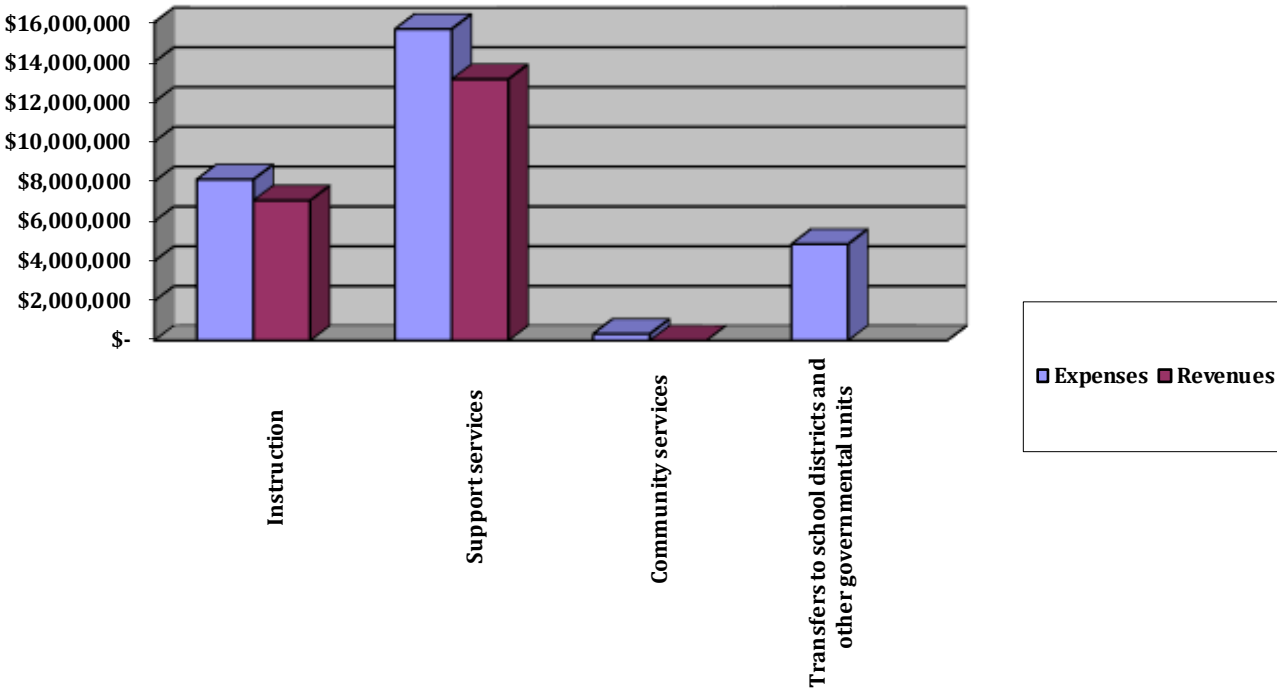
**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Mecosta-Osceola Intermediate School District Changes in Net Position		
	Governmental Activities	
	2025	2024*
REVENUES		
Program revenue		
Charges for services	\$ 216,378	\$ 274,912
Operating grants and contributions	19,959,259	18,282,161
General revenue		
Property taxes, levied for general purposes	695,652	641,944
Property taxes, levied for special education	9,149,450	8,614,255
Property taxes, levied for vocational education	4,101,615	3,862,735
Investment earnings	576,430	560,270
State sources	1,189,081	1,286,279
Other	1,697,473	1,150,267
TOTAL REVENUES	37,585,338	34,672,823
EXPENSES		
Instruction	8,097,750	8,881,563
Supporting services	15,655,403	15,787,087
Community services	337,007	352,491
Transfers to school districts and other governmental units	4,849,050	4,299,557
Interest on long-term debt	954	1,799
TOTAL EXPENSES	28,940,164	29,322,497
CHANGE IN NET POSITION	8,645,174	5,350,326
NET POSITION, beginning of year, as restated	(15,758,116)	(20,734,618)
NET POSITION, end of year	\$ (7,112,942)	\$ (15,384,292)
*The 2024 numbers have not been updated for the adoption of GASB 101		

Governmental Activities. Net position increased by \$8,645,174.

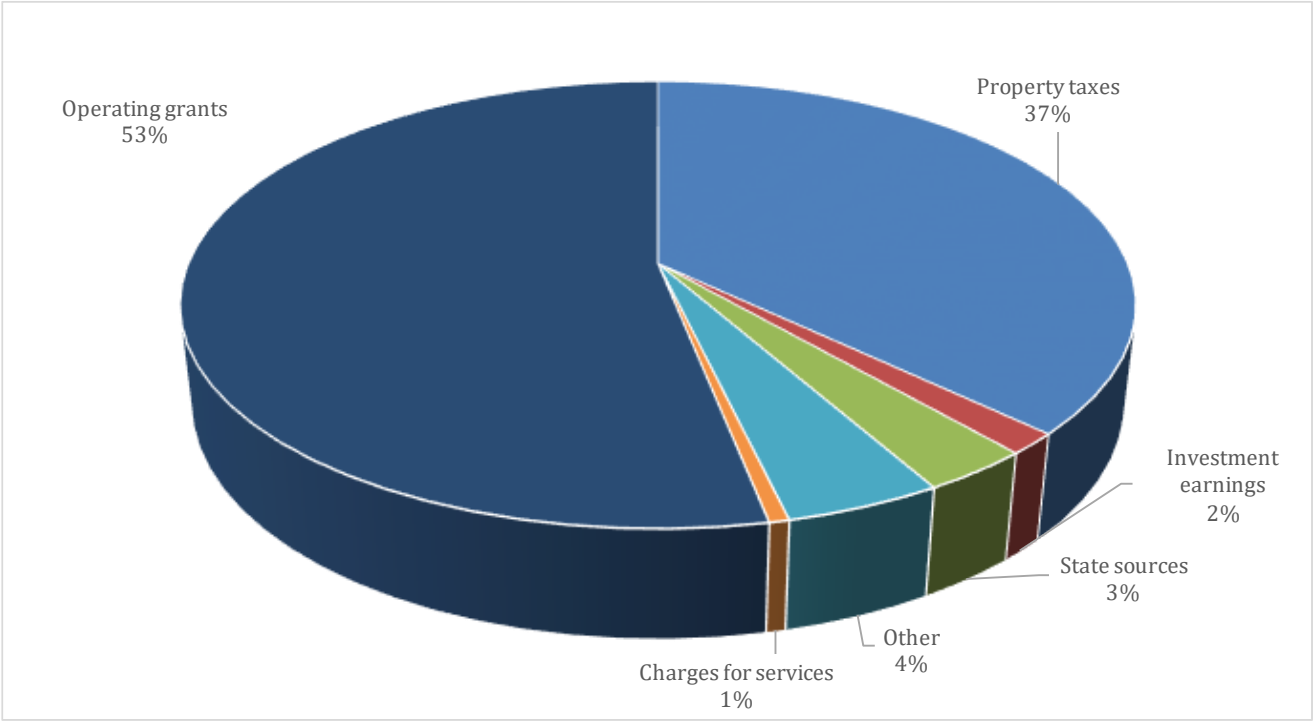
**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Expenses and Program Revenues - Governmental Activities
Year ended June 30, 2025**



**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Revenues by Source - District Activities
Year ended June 30, 2025**



MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

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

During the fiscal year ended June 30, 2025, the District amended the budgets of these major governmental funds two times.

General Fund - The general fund actual revenue was \$7.5 million. That amount is above the original budget estimate of \$7.3 million and above the final budget amendment of \$7.4 million.

The actual expenditures of the general fund were \$6.9 million, which is below the original budget of \$7.0 million and below the final amendment of \$6.9 million.

General fund had total revenues of \$7.5 million and total expenditures and other financing uses of \$6.9 million, with net other financing uses of \$900 thousand with an ending fund balance of \$2.2 million.

Special Education Fund - The special education fund actual revenue was \$23.2 million. That amount is above the original budget of \$21.9 million and above the final amendment of \$23.1 million.

The actual expenditures of the special education fund were \$22.0 million, which is below the original budget of \$22.3 million and below the final amendment of \$22.1 million.

Special education fund had total revenue and other financing sources of \$23.5 million and total expenditures and other financing uses of \$22.9 million with an ending fund balance of \$6.7 million.

Vocational Education Fund - The career and technical education fund actual revenue was \$5.6 million. That amount is above the original budget of \$5.5 million and below the final amendment of \$5.7 million.

The actual expenditures were \$4.9 million, which is below the original budget of \$5.5 million and below the final amendment of \$5.1 million.

Vocational education fund had total revenue and other financing sources of \$6.1 million and total expenditures and other financing uses of \$5.8 million with an ending fund balance of approximately \$1.8 million.

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

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance, was \$1,039,724 while total fund balance of the general fund was \$2,163,408. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 15% of total general fund expenditures, while total fund balance represents 31%.

MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The fund balance of the District's general fund decreased by \$349,602 during the current fiscal year. The largest revenue source in this fund is state revenue which includes state aid. Expenditures consist primarily of costs associated with supporting early education, learning resources, and a portion of the executive administration, technology services, and fiscal services of the District.

The special education fund at year end had restricted fund balance of \$6,570,869, and total fund balance was \$6,673,969. Restricted fund balance represents approximately 27% of total special education fund expenditures, while total fund balance represents 30%.

The fund balance of the District's special education fund increased by \$497,797 from the prior year. These resources are restricted for special education programs administered by the District and transfers to local districts for special education programs. The largest portion of this fund's revenues is state sources while the largest expenditures are for the center and categorical programs and pupil support services to the local districts which include a large number of itinerant staff.

The vocational education fund at year end had restricted fund balance of \$1,755,949, while total fund balance of the vocational education fund was \$1,836,521. Restricted fund balance represents approximately 35% of total vocational education fund expenditures, while total fund balance represents approximately 37% of total expenditures.

The fund balance of the District's vocational education (career and technical education) fund increased by \$303,588 from the prior year. These resources are restricted for career and technical education purposes. The largest portion of this fund's revenues comes from property taxes while the expenditures are for the programs at the Technical Center.

The cooperative education fund at year end had committed and total fund balance of \$253,954.

The fund balance of the District's cooperative education fund increased \$592 from the prior year. These resources are committed to provide professional services to the local school districts within the intermediate school district. The largest portion of this fund's revenues comes from interdistrict sources while the expenditures are for the professional services provided.

The capital projects fund - building and site at year end had assigned and total fund balance of \$4,957,587. The fund balance of the District's capital projects fund - building and site increased by \$1,542,243 from the prior year. These resources are used for capital improvements for the District. The largest portion of this fund's revenues comes from transfers in while the expenditures are capital outlay needed.

CAPITAL ASSETS

Capital Assets - At the end of fiscal year 2025, the District had \$17.71 million invested in land, construction in progress, buildings, and office and instructional equipment. Of this amount, \$8.89 million in depreciation/amortization has been taken over the years. The District has net capital assets of \$8.82 million.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Mecosta-Osceola Intermediate School District's Capital Assets (Net of Depreciation/Amortization)		
	2025	2024
Land	\$ 426,806	\$ 426,806
Construction in process	-	78,206
Land improvements	364,431	335,419
Buildings and improvements	11,975,223	11,002,568
Buses and other vehicles	1,750,629	1,535,479
Furniture and equipment	3,193,968	3,180,129
Right to use - subscription based IT	-	70,125
Subtotal	17,711,057	16,628,732
Accumulated depreciation/amortization	8,888,509	8,575,901
Total	<u>\$ 8,822,548</u>	<u>\$ 8,052,831</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Education is required to adopt a balanced budget by July 1 of each fiscal year. This is typically prior to the completion of the State of Michigan's budget making it difficult for school districts to predict the amount of state aid revenue for the next fiscal year.

Each year the District receives both federal and state revenue for developing new programs and improving existing programs in a manner that provides the best services to the students and districts served by Mecosta-Osceola Intermediate School District.

At the end of the 2024-2025 fiscal year, the District added to the fund balances in the Special Education Fund and Career and Technical Education Fund. The fund balance for the General Fund declined, in part, due to transfers made to the Capital Projects Fund. To plan proactively for the update and/or replacement of aging facilities, parking lots, and mechanical systems, the District anticipates making ongoing contributions to the Capital Project Fund each year. Of note, taxable values within the District continued on an upward trajectory for the 2025 tax year.

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

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 13,207,777
Investments	4,720,059
Receivables	
Accounts receivable	30,417
Interest receivable	2,240
Intergovernmental	4,415,697
Inventories	80,572
Prepays	398,799
Net other postemployment benefits asset	5,035,111
Capital assets not being depreciated/amortized	426,806
Capital assets, net of accumulated depreciation/amortization	<u>8,395,742</u>
TOTAL ASSETS	<u>36,713,220</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefit	1,276,009
Related to pension	<u>8,646,156</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>9,922,165</u>
LIABILITIES	
Accounts payable	435,809
Accrued salaries and related items	1,885,439
Accrued retirement	668,524
Due to other governmental units	1,003,926
Unearned revenue	2,976,424
Noncurrent liabilities	
Due within one year	364,084
Due in more than one year	546,125
Net pension liability	<u>28,218,168</u>
TOTAL LIABILITIES	<u>36,098,499</u>
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefit	6,836,936
Related to pension	9,205,643
Related to state aid funding for pension	<u>1,607,249</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>17,649,828</u>
NET POSITION	
Investment in capital assets	8,822,548
Restricted for net other postemployment benefits	5,035,111
Unrestricted	<u>(20,970,601)</u>
TOTAL NET POSITION	<u>\$ (7,112,942)</u>

See notes to financial statements.

MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 8,097,750	\$ 68,889	\$ 6,970,827	\$ (1,058,034)
Support services	15,655,403	147,489	12,988,432	(2,519,482)
Community services	337,007	-	-	(337,007)
Transfers to school districts and other governmental units	4,849,050	-	-	(4,849,050)
Interest on long-term debt	954	-	-	(954)
Total governmental activities	<u>\$ 28,940,164</u>	<u>\$ 216,378</u>	<u>\$ 19,959,259</u>	<u>(8,764,527)</u>
General revenues				
Property taxes, levied for general purposes				695,652
Property taxes, levied for special education				9,149,450
Property taxes, levied for vocational education				4,101,615
Investment earnings				576,430
State sources not restricted to specific purposes				1,189,081
Other				<u>1,697,473</u>
Total general revenues				<u>17,409,701</u>
CHANGE IN NET POSITION				<u>8,645,174</u>
NET POSITION, beginning of year, as previously reported				(15,384,292)
Adjustment to beginning net position				<u>(373,824)</u>
NET POSITION, beginning of year, as restated				<u>(15,758,116)</u>
NET POSITION, end of year				<u>\$ (7,112,942)</u>

See notes to financial statements.

MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

		<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Special Revenue</u>	
	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Vocational Education Fund</u>	<u>Building and Site</u>	<u>Nonmajor Fund - Cooperative Education</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 4,590,735	\$ 3,623,048	\$ 1,624,018	\$ 3,148,086	\$ 221,890	\$ 13,207,777
Investments	376	2,331,932	577,475	1,810,276	-	4,720,059
Receivables						
Accounts receivable	4,260	22,472	3,685	-	-	30,417
Interest Receivable	-	2,240	-	-	-	2,240
Due from other funds	-	214,293	747	-	-	215,040
Intergovernmental	1,261,479	2,926,562	195,592	-	32,064	4,415,697
Inventories	-	-	80,572	-	-	80,572
Prepays	295,699	103,100	-	-	-	398,799
TOTAL ASSETS	<u>\$ 6,152,549</u>	<u>\$ 9,223,647</u>	<u>\$ 2,482,089</u>	<u>\$ 4,958,362</u>	<u>\$ 253,954</u>	<u>\$ 23,070,601</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 241,830	\$ 134,823	\$ 58,381	\$ 775	\$ -	\$ 435,809
Accrued salaries and related items	238,051	1,375,612	271,776	-	-	1,885,439
Accrued retirement	87,906	481,960	98,658	-	-	668,524
Due to other governmental units	446,643	557,283	-	-	-	1,003,926
Due to other funds	747	-	214,293	-	-	215,040
Unearned revenue	2,973,964	-	2,460	-	-	2,976,424
TOTAL LIABILITIES	<u>3,989,141</u>	<u>2,549,678</u>	<u>645,568</u>	<u>775</u>	<u>-</u>	<u>7,185,162</u>

See notes to financial statements.

		Special Revenue		Capital Projects	Special Revenue	
	General Fund	Special Education Fund	Vocational Education Fund	Building and Site	Nonmajor Fund - Cooperative Education	Total Governmental Funds
FUND BALANCES						
Nonspendable						
Inventories	\$ -	\$ -	\$ 80,572	\$ -	\$ -	\$ 80,572
Prepays	295,699	103,100	-	-	-	398,799
Restricted for						
Special education						
Operations	-	5,946,626	-	-	-	5,946,626
Special projects	-	624,243	-	-	-	624,243
Vocational education	-	-	1,755,949	-	-	1,755,949
Committed						
Cooperative education	-	-	-	-	253,954	253,954
Assigned for						
Capital projects	-	-	-	4,957,587	-	4,957,587
Subsequent year expenditures	827,985	-	-	-	-	827,985
Unassigned	1,039,724	-	-	-	-	1,039,724
TOTAL FUND BALANCES	<u>2,163,408</u>	<u>6,673,969</u>	<u>1,836,521</u>	<u>4,957,587</u>	<u>253,954</u>	<u>15,885,439</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,152,549</u>	<u>\$ 9,223,647</u>	<u>\$ 2,482,089</u>	<u>\$ 4,958,362</u>	<u>\$ 253,954</u>	<u>\$ 23,070,601</u>

Total governmental fund balances \$ 15,885,439

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

Deferred outflows of resources - related to pension	8,646,156
Deferred inflows of resources - related to pension	(9,205,643)
Deferred inflows of resources - related to other postemployment benefit	(6,836,936)
Deferred outflows of resources - related to other postemployment benefit	1,276,009
Deferred inflows of resources - related to state funding for pension	(1,607,249)

Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet

Noncurrent assets at year-end consists of:
Net other postemployment benefits asset

5,035,111

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

The cost of the capital assets is	\$ 17,711,057
Accumulated depreciation/amortization is	(8,888,509)
	8,822,548

Long-term obligations are not due and payable in the current period and are not reported in the funds:

Compensated absences	(910,209)
Net pension liability	(28,218,168)

Net position of governmental activities \$ (7,112,942)

See notes to financial statements.

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

		Special Revenue		Capital Projects	Special Revenue	Total
	General Fund	Special Education Fund	Vocational Education Fund	Building and Site	Nonmajor Fund - Cooperative Education	Governmental Funds
REVENUES						
Local sources						
Property taxes	\$ 695,652	\$ 9,149,450	\$ 4,101,615	\$ -	\$ -	\$ 13,946,717
Tuition	-	-	40,218	-	-	40,218
Investment earnings	123,389	254,859	77,134	121,048	-	576,430
Community service	6,540	1,120,087	-	-	-	1,126,627
Student activities	-	-	28,671	-	80,644	109,315
Other	38,384	34,527	76,614	15,000	-	164,525
Total local sources	863,965	10,558,923	4,324,252	136,048	80,644	15,963,832
State sources	6,013,707	9,433,469	899,821	-	-	16,346,997
Federal sources	590,266	3,129,878	414,057	-	-	4,134,201
Interdistrict sources	2,849	63,996	-	-	-	66,845
TOTAL REVENUES	7,470,787	23,186,266	5,638,130	136,048	80,644	36,511,875
EXPENDITURES						
Current						
Instruction	1,670,129	5,391,425	2,927,887	-	-	9,989,441
Supporting services	2,931,286	13,659,099	1,734,505	-	80,226	18,405,116
Community service activities	294,723	40,172	2,112	-	-	337,007

See notes to financial statements.

		Special Revenue		Capital Projects	Special Revenue Nonmajor Fund - Cooperative Education	Total Governmental Funds
	General Fund	Special Education Fund	Vocational Education Fund	Building and Site		
EXPENDITURES (continued)						
Capital outlay	\$ -	\$ -	\$ -	\$ 993,805	\$ -	\$ 993,805
Debt service						
Principal	-	22,103	-	-	-	22,103
Interest	-	475	-	-	-	475
Transfer to school districts and other governmental units	2,024,097	2,890,678	260,856	-	-	5,175,631
TOTAL EXPENDITURES	6,920,235	22,003,952	4,925,360	993,805	80,226	34,923,578
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	550,552	1,182,314	712,770	(857,757)	418	1,588,297
OTHER FINANCING SOURCES (USES)						
Proceeds from the sale of capital assets	20	65	406,236	-	-	406,321
Transfers in	-	265,418	-	2,400,000	174	2,665,592
Transfers out	(900,174)	(950,000)	(815,418)	-	-	(2,665,592)
TOTAL OTHER FINANCING SOURCES (USES)	(900,154)	(684,517)	(409,182)	2,400,000	174	406,321
NET CHANGE IN FUND BALANCES	(349,602)	497,797	303,588	1,542,243	592	1,994,618
FUND BALANCES						
Beginning of year	2,513,010	6,176,172	1,532,933	3,415,344	253,362	13,890,821
End of year	\$ 2,163,408	\$ 6,673,969	\$ 1,836,521	\$ 4,957,587	\$ 253,954	\$ 15,885,439

See notes to financial statements.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balances Total Governmental Funds **\$ 1,994,618**

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization:

Depreciation/amortization expense	(483,069)
Capital outlay	1,252,786

The issuance of long term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:

Payment on direct borrowings and direct placements	22,103
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Compensated absences are reported on the accrual method in the statement of activities and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year, as restated	896,876
Accrued compensated absences, end of the year	(910,209)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Other postemployment benefit related items	1,982,175
Pension related items	3,222,752

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:

Change in state aid funding for pension	667,142
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Change in Net Position of Governmental Activities	\$ 8,645,174
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MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Mecosta-Osceola Intermediate School District (the "District") is governed by the Mecosta-Osceola Intermediate School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by constituent districts and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Description of Government-wide Financial Statements

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category - governmental - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds*:

The *General Fund* is the District's primary administrative fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

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

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

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

MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The District reports the following *Other Nonmajor Funds*:

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

Budgetary Information

Budgetary Basis of Accounting

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificate of deposits.

Investments

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

- i. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- ii. 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.
- iii. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- iv. The United States government or federal agency obligations repurchase agreements.
- v. Bankers acceptances of United States banks.
- vi. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories and Prepays

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

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

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

Capital Assets

Capital assets, which include property, plant, equipment, right to use SBITA, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated/amortized over the remaining useful lives of the related capital assets.

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

<u>Capital Asset Cases</u>	<u>Lives</u>
Land improvements	10 - 20 years
Buildings and improvements	10 - 50 years
Buses and other vehicles	8 years
Furniture and equipment	5 - 30 years
Right to use - subscription based IT	3 years

Defined Benefit Plans

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows

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

Deferred Inflows

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the superintendent to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

Subscription-based IT Arrangements (SBITA)

Lessee/subscriber: The District is a lessee for a noncancelable subscription of an IT arrangement. The District recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements.

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

Key estimates and judgements related to SBITAs included how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA 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 SBITA.
- The SBITA term includes the noncancelable period of the subscription. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Subscription-based IT Arrangements (SBITA) (continued)

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

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term obligations on the statement of net position.

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

For the year ended June 30, 2025, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	0.2456
Special revenue funds	
Special education fund	3.2890
Vocational education fund	1.4742

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2025 the District had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, \$2,044,027 of the District's bank balance of \$13,348,261 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 \$13,207,777.

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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment Pool - CMC	\$ 3,736	N/A
MILAF External Investment Pool - MAX	4,716,323	N/A
Total	<u>\$ 4,720,059</u>	
Portfolio weighted average maturity		<u>N/A</u>

One day maturity equals 0.0027, one year equals 1.00.

Concentration of Credit Risk

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

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment Pool - CMC	\$ 3,736	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX	4,716,323	AAAm	Standard & Poor's
Total	<u>\$ 4,720,059</u>		

Foreign Currency Risk

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

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

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

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

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

	<u>Amortized Cost</u>
MILAF External Investment Pool - CMC	\$ 3,736
MILAF External Investment Pool - MAX	<u>4,716,323</u>
	<u><u>\$ 4,720,059</u></u>

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

The following summarizes the categorization of these amounts as of June 30, 2025:

	<u>Primary Government</u>
Cash and cash equivalents	\$ 13,207,777
Investments	<u>4,720,059</u>
	<u><u>\$ 17,927,836</u></u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2025 consist of the following:

	<u>Government- wide</u>
State aid	\$ 2,825,730
Federal revenue	1,464,055
Local/intermediate sources	<u>125,912</u>
	<u><u>\$ 4,415,697</u></u>

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

MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2024	Additions/ Reclassification	Deletions/ Reclassification	Balance June 30, 2025
Assets not being depreciated/amortized				
Land	\$ 426,806	\$ -	\$ -	\$ 426,806
Construction in progress	78,206	-	(78,206)	-
Subtotal	505,012	-	(78,206)	426,806
Capital assets being depreciated/amortized				
Land improvements	335,419	29,012	-	364,431
Buildings and improvements	11,002,568	972,655	-	11,975,223
Buses and other vehicles	1,535,479	215,150	-	1,750,629
Furniture and equipment	3,180,129	114,175	(100,336)	3,193,968
Right to use - subscription based IT	70,125	-	(70,125)	-
Subtotal	16,123,720	1,330,992	(170,461)	17,284,251
Accumulated depreciation/amortization				
Land improvements	168,555	13,739	-	182,294
Buildings and improvements	4,621,679	225,310	-	4,846,989
Buses and other vehicles	1,126,191	112,418	-	1,238,609
Furniture and equipment	2,612,726	108,227	(100,336)	2,620,617
Right to use - subscription based IT	46,750	23,375	(70,125)	-
Subtotal	8,575,901	483,069	(170,461)	8,888,509
Net capital assets being depreciated/amortized	7,547,819	847,923	-	8,395,742
Net governmental capital assets	<u>\$ 8,052,831</u>	<u>\$ 847,923</u>	<u>\$ (78,206)</u>	<u>\$ 8,822,548</u>

Depreciation/amortization for the fiscal year ended June 30, 2025 amounted to \$483,069. The District allocated depreciation/amortization to the various activities as follows:

Governmental activities	
Instruction	\$ 241,535
Support services	<u>241,534</u>
Total governmental activities	<u>\$ 483,069</u>

MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS

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

Long-term obligations currently outstanding are as follows:

	Compensated Absences*	Note from Direct Borrowings and Direct Placements	Total
Balance, July 1, 2024, as restated	\$ 896,876	\$ 22,103	\$ 918,979
Additions	13,333	-	13,333
Deletions	<u>-</u>	<u>(22,103)</u>	<u>(22,103)</u>
Balance, June 30, 2025	910,209	-	910,209
Due within one year	<u>364,084</u>	<u>-</u>	<u>364,084</u>
Due in more than one year	<u>\$ 546,125</u>	<u>\$ -</u>	<u>\$ 546,125</u>

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

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

Pension Reform of 2023

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012 (continued)

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

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

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

Employer Contributions

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

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

The District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately \$5,443,000. Of the total pension contributions approximately \$5,208,000 was contributed to fund the Defined Benefit Plan and approximately \$235,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately \$203,000. Of the total OPEB contributions approximately \$67,000 was contributed to fund the Defined Benefit Plan and approximately \$136,000 was contributed to fund the Defined Contribution Plan.

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

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

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

The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total pension liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan fiduciary net position	\$ 71,283,482,728	\$ 62,581,762,238
Net pension liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate share	0.11526%	0.11453%
Net pension liability for the District	\$ 28,218,168	\$ 37,069,713

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

For the year ended June 30, 2025, the District recognized pension expense of \$1,985,295.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual pension plan investment earnings	\$ -	\$ (5,385,223)
Differences between expected and actual experience	765,579	(306,594)
Change in proportion and differences between employer contributions and proportionate share of contributions	258,593	(1,446,327)
Changes of assumptions	2,941,911	(2,067,499)
Reporting Unit's contributions subsequent to the measurement date	<u>4,680,073</u>	<u>-</u>
	<u><u>\$ 8,646,156</u></u>	<u><u>\$ (9,205,643)</u></u>

\$4,680,073, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending June 30,	Amount
2026	\$ (1,462,956)
2027	(270,684)
2028	(2,114,595)
2029	<u>(1,391,325)</u>
	<u><u>\$ (5,239,560)</u></u>

MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total other postemployment benefits liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan fiduciary net position	\$ 14,295,943,589	\$ 11,789,347,341
Net other postemployment benefits liability (asset)	\$ (4,304,397,666)	\$ (565,698,392)
Proportionate share	0.11698%	0.11377%
Net other postemployment benefits liability (asset) for the District	\$ (5,035,111)	\$ (643,603)

For the year ended June 30, 2025, the District recognized OPEB benefit of \$1,915,592.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual other postemployment benefits plan investment earnings	\$ -	\$ (953,204)
Differences between expected and actual experience	-	(5,335,680)
Change in proportion and differences between employer contributions and proportionate share of contributions	160,697	(421,646)
Changes of assumptions	1,099,741	(126,406)
Reporting Unit's contributions subsequent to the measurement date	<u>15,571</u>	<u>-</u>
	<u>\$ 1,276,009</u>	<u>\$ (6,836,936)</u>

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

\$15,571, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

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 June 30,	Amount
2026	\$ (1,778,929)
2027	(1,121,557)
2028	(1,125,017)
2029	(955,303)
2030	(503,310)
2031	(92,382)
	\$ (5,576,498)

Actuarial Assumptions

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

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

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

Inflation - 3.0%.

Mortality Assumptions -

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

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-202 adjusted for mortality improvements using projection scale from 2010.

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Experience Study - Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.50% for year one and graded to 3.5% in year fifteen. Post 65, 6.25% for year one and graded to 3.5% in year fifteen.

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

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

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

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

The target asset allocation at September 30, 2024 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
International Equity Pools	15.0%	6.5%
Private Equity Pools	16.0%	9.0%
Real Estate and Infrastructure Pools	10.0%	7.1%
Fixed Income Pools	13.0%	2.2%
Absolute Return Pools	9.0%	5.2%
Real Return/Opportunistic Pools	10.0%	6.9%
Short Term Investment Pools	2.0%	1.4%
	100.00%	

* Long-term rates of return are net of administrative expenses and 2.3% inflation.

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 41,368,138	\$ 28,218,168	\$ 17,268,289

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability (asset)	\$ (3,891,175)	\$ (5,035,111)	\$ (6,024,164)

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

	Other Postemployment Benefits		
	Current		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability (asset)	<u>\$ (6,024,175)</u>	<u>\$ (5,035,111)</u>	<u>\$ (3,974,345)</u>

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 7 - INTERFUND ACTIVITY

The composition of interfunds at June 30, 2025 is as follows:

Receivable Fund		Payable Funds	
Special Education Fund	\$ 214,293	General Fund	\$ 747
Vocational Education Fund	<u>747</u>	Vocational Education Fund	<u>214,293</u>
	<u>\$ 215,040</u>		<u>\$ 215,040</u>

The outstanding balances between funds resulting from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

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

NOTE 7 - INTERFUND ACTIVITY (continued)

The composition of interfund transfers at June 30, 2025 is as follows:

	Transfers Out			Total
	General Fund	Special Education Fund	Vocational Education Fund	
Transfers in				
Special Education	\$ 250,000	\$ -	\$ 15,418	\$ 265,418
Building and Site	650,000	950,000	800,000	2,400,000
Cooperative Education	174	-	-	174
Total	<u>\$ 900,174</u>	<u>\$ 950,000</u>	<u>\$ 815,418</u>	<u>\$ 2,665,592</u>

During the year, transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

NOTE 8 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*. For the year ended June 30, 2025, the District did not receive significant reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no abatements made by the District.

NOTE 9 - CONTINGENT LIABILITIES

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

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;

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

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

- iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

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

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

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

Summary:

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements

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

NOTE 12 - ADJUSTMENTS TO BEGINNING NET POSITION

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

	<u>Net Position</u>
Balance as of July 1, 2024, as previously stated	\$ (15,384,292)
Adoption of GASB Statement 101	<u>(373,824)</u>
Balance as of July 1, 2024, as restated	<u><u>\$ (15,758,116)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 854,800	\$ 850,350	\$ 863,965	\$ 13,615
State sources	5,620,357	5,987,314	6,013,707	26,393
Federal sources	792,957	606,893	590,266	(16,627)
Interdistrict sources	-	2,849	2,849	-
TOTAL REVENUES	7,268,114	7,447,406	7,470,787	23,381
EXPENDITURES				
Current				
Instruction				
Basic programs	1,596,403	1,594,806	1,606,514	(11,708)
Added needs	24,477	63,152	63,615	(463)
Total instruction	1,620,880	1,657,958	1,670,129	(12,171)
Supporting services				
Pupil	692,560	469,144	472,689	(3,545)
Instructional staff	1,328,313	1,259,498	1,246,206	13,292
General administration	307,368	289,178	270,192	18,986
School administration	16,949	-	778	(778)
Business	127,038	156,008	151,768	4,240
Operation/maintenance	210,492	276,202	256,540	19,662
Pupil transportation	100,571	98,024	97,846	178
Central	458,677	440,559	435,267	5,292
Total supporting services	3,241,968	2,988,613	2,931,286	57,327
Community services	328,104	295,259	294,723	536
Transfer to school districts and other governmental units	1,823,117	2,023,013	2,024,097	(1,084)
TOTAL EXPENDITURES	7,014,069	6,964,843	6,920,235	44,608
EXCESS OF REVENUES OVER EXPENDITURES	254,045	482,563	550,552	67,989
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	-	-	20	20
Transfers out	(352,000)	(902,000)	(900,174)	1,826
TOTAL OTHER FINANCING SOURCES (USES)	(352,000)	(902,000)	(900,154)	1,846
NET CHANGE IN FUND BALANCE	\$ (97,955)	\$ (419,437)	(349,602)	\$ 69,835
FUND BALANCE				
Beginning of year			2,513,010	
End of year			<u>\$ 2,163,408</u>	

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 10,287,991	\$ 10,360,664	\$ 10,558,923	\$ 198,259
State sources	8,595,800	9,498,581	9,433,469	(65,112)
Federal sources	3,080,109	3,181,051	3,129,878	(51,173)
Other	6,000	68,216	63,996	(4,220)
TOTAL REVENUES	21,969,900	23,108,512	23,186,266	77,754
EXPENDITURES				
Instruction				
Added needs	5,403,885	5,360,386	5,391,425	(31,039)
Supporting services				
Pupil	7,998,137	7,903,497	7,746,888	156,609
Instructional staff	1,833,458	1,720,435	1,696,089	24,346
General administration	193,191	228,394	240,001	(11,607)
Business	378,304	472,039	478,155	(6,116)
Operation/maintenance	607,354	527,577	512,220	15,357
Pupil transportation	1,878,246	1,958,384	1,941,410	16,974
Central	1,096,266	1,060,788	1,044,336	16,452
Total supporting services	13,984,956	13,871,114	13,659,099	212,015
Community services	41,571	44,029	40,172	3,857
Debt service				
Principal repayment	16,681	17,157	22,103	(4,946)
Interest expense	475	-	475	(475)
Total debt service	17,156	17,157	22,578	(5,421)
Transfer to school districts and other governmental units	2,825,070	2,843,868	2,890,678	(46,810)
TOTAL EXPENDITURES	22,272,638	22,136,554	22,003,952	132,602
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(302,738)	971,958	1,182,314	210,356
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	-	-	65	65
Transfers in	310,000	266,000	265,418	(582)
Transfers out	(300,000)	(950,000)	(950,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	10,000	(684,000)	(684,517)	(517)
NET CHANGE IN FUND BALANCE	\$ (292,738)	\$ 287,958	497,797	\$ 209,839
FUND BALANCE				
Beginning of year			6,176,172	
End of year			<u>\$ 6,673,969</u>	

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
VOCATIONAL EDUCATION FUND
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 4,259,240	\$ 4,348,455	\$ 4,324,252	\$ (24,203)
State sources	861,327	913,900	899,821	(14,079)
Federal sources	414,057	414,057	414,057	-
TOTAL REVENUES	5,534,624	5,676,412	5,638,130	(38,282)
EXPENDITURES				
Instruction				
Added needs	3,166,029	3,023,148	2,906,776	116,372
Adult education	42,778	26,176	21,111	5,065
Total instruction	3,208,807	3,049,324	2,927,887	121,437
Supporting services				
Pupil	243,759	218,808	220,218	(1,410)
Instructional staff	206,932	45,863	45,179	684
General administration	108,652	99,868	97,662	2,206
School administration	375,558	371,121	371,625	(504)
Business	100,477	127,398	116,985	10,413
Operation/maintenance	672,402	612,710	621,015	(8,305)
Pupil transportation	17,680	15,309	15,787	(478)
Central	237,034	251,065	230,495	20,570
Other	20,500	24,500	15,539	8,961
Total supporting services	1,982,994	1,766,642	1,734,505	32,137
Community services	6,000	9,015	2,112	6,903
Transfer to school districts and other governmental units	260,856	260,856	260,856	-
TOTAL EXPENDITURES	5,458,657	5,085,837	4,925,360	160,477
EXCESS OF REVENUES OVER EXPENDITURES	75,967	590,575	712,770	122,195
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	276,000	406,221	406,236	15
Transfers out	(360,000)	(816,000)	(815,418)	582
TOTAL OTHER FINANCING SOURCES (USES)	(84,000)	(409,779)	(409,182)	597
NET CHANGE IN FUND BALANCE	\$ (8,033)	\$ 180,796	303,588	\$ 122,792
FUND BALANCE				
Beginning of year			1,532,933	
End of year			<u>\$ 1,836,521</u>	

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting Unit's proportion of net pension liability (%)	0.11526%	0.11453%	0.11898%	0.12451%	0.12154%	0.12091%	0.11981%	0.11778%	0.11666%	0.11311%
Reporting Unit's proportionate share of net pension liability	\$ 28,218,168	\$ 37,069,713	\$ 44,745,260	\$ 29,478,284	\$ 41,750,212	\$ 40,041,496	\$ 36,017,091	\$ 30,522,712	\$ 29,105,775	\$ 27,626,139
Reporting Unit's covered-employee payroll	\$ 12,634,417	\$ 11,517,979	\$ 11,266,396	\$ 11,461,317	\$ 10,973,809	\$ 10,561,570	\$ 10,449,457	\$ 9,869,163	\$ 9,978,467	\$ 9,478,686
Reporting Unit's proportionate share of net pension liability as a percentage of its covered employee payroll	223.34%	321.84%	397.16%	257.20%	380.45%	379.12%	344.68%	309.27%	291.69%	291.46%
Plan fiduciary net position as a percentage of total pension liability (non-university employers)	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions	\$ 5,208,047	\$ 4,696,176	\$ 5,223,058	\$ 4,021,655	\$ 3,657,804	\$ 3,272,094	\$ 3,164,364	\$ 3,118,347	\$ 2,765,239	\$ 2,520,996
Contributions in relation to statutorily required contributions	5,208,047	4,696,176	5,223,058	4,021,655	3,657,804	3,272,094	3,164,364	3,118,347	2,765,239	2,520,996
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 13,190,340	\$ 12,347,530	\$ 11,422,082	\$ 11,307,479	\$ 11,306,103	\$ 10,892,779	\$ 10,514,185	\$ 10,298,769	\$ 9,809,471	\$ 9,626,472
Contributions as a percentage of covered-employee payroll	39.48%	38.03%	45.73%	35.57%	32.35%	30.04%	30.10%	30.28%	28.19%	26.19%

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

	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability/asset (%)	0.11698%	0.11377%	0.11576%	0.12614%	0.12413%	0.12161%	0.12289%	0.11843%
Reporting Unit's proportionate share of net OPEB liability (asset)	\$ (5,035,111)	\$ (643,603)	\$ 2,451,794	\$ 1,925,381	\$ 6,650,238	\$ 8,728,681	\$ 9,768,259	\$ 10,487,493
Reporting Unit's covered-employee payroll	\$ 12,634,417	\$ 11,517,979	\$ 11,266,396	\$ 11,461,317	\$ 10,973,809	\$ 10,561,570	\$ 10,449,457	\$ 9,869,163
Reporting Unit's proportionate share of net OPEB liability/asset as a percentage of its covered-employee payroll	39.85%	5.59%	21.76%	16.80%	60.60%	82.65%	93.48%	106.27%
Plan fiduciary net position as a percentage of total OPEB liability (non-university employers)	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 66,583	\$ 997,702	\$ 907,826	\$ 927,785	\$ 964,621	\$ 910,672	\$ 861,466	\$ 882,277
Contributions in relation to statutorily required contributions	<u>66,583</u>	<u>997,702</u>	<u>907,826</u>	<u>927,785</u>	<u>964,621</u>	<u>910,672</u>	<u>861,466</u>	<u>882,277</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 13,190,340	\$ 12,347,530	\$ 11,422,082	\$ 11,307,479	\$ 11,306,103	\$ 10,892,779	\$ 10,514,185	\$ 10,298,769
OPEB contributions as a percentage of covered-employee payroll	0.50%	8.08%	7.95%	8.21%	8.53%	8.36%	8.19%	8.57%

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

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1 - PENSION INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

NOTE 2 - OPEB INFORMATION

Benefit Changes

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

Changes in Assumptions

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

- 2024 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage point for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 2 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta-Osceola Intermediate School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Mecosta-Osceola Intermediate School District's basic financial statements, and have issued our report thereon dated October 14, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Manes Costeiran PC

October 14, 2025



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October 14, 2025

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta-Osceola Intermediate School District for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Mecosta-Osceola Intermediate School District are described in Note 1 to the financial statements. As described in Note 11 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, during the year ended June 30, 2025. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the Mecosta-Osceola Intermediate School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

Management's allocation of indirect costs between programs is based on actual hours worked by staff on a particular program.

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

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

Management's estimate of the discount rate used for SBITAs, the SBITA term and payments are based on the District's incremental borrowing rate and consideration of the noncancelable period of the SBITA and reasonably certain SBITA options.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all 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 14, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Restriction on Use

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

Very truly yours,

Maney Costeiran PC