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# Washtenaw Intermediate School District

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**Financial Report  
with Supplementary Information  
June 30, 2023**

<b>Independent Auditor's Report</b>	1-3
<b>Management's Discussion and Analysis</b>	4-13
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	16
Reconciliation of the Balance Sheet to the Statement of Net Position	17
Statement of Revenue, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Proprietary Fund:	
Statement of Net Position	20
Statement of Revenue, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22
Notes to Financial Statements	23-42
<b>Required Supplementary Information</b>	43
Budgetary Comparison Schedule - General Fund	44
Budgetary Comparison Schedules - Major Special Revenue Funds	45-46
Schedule of Washtenaw Intermediate School District's Proportionate Share of the Net Pension Liability	47
Schedule of Washtenaw Intermediate School District's Proportionate Share of the Net OPEB Liability	48
Schedule of Washtenaw Intermediate School District's Pension Contributions	49
Schedule of Washtenaw Intermediate School District's OPEB Contributions	50
Notes to Required Supplementary Information	51-52
<b>Other Supplementary Information</b>	53
Nonmajor Governmental Funds:	
Combining Balance Sheet	54
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	55
Schedule of Bonded Indebtedness	56
<b>Federal Awards Supplemental Information</b>	Issued Under Separate Cover

## Independent Auditor's Report

To the Board of Education  
Washtenaw Intermediate School District

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washtenaw Intermediate School District (the "School District") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Washtenaw Intermediate School District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 Washtenaw Intermediate School District as of June 30, 2023 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 the School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for 12 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 GAAS 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.

To the Board of Education  
Washtenaw Intermediate School District

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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, which 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 Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washtenaw Intermediate School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education  
Washtenaw Intermediate School District

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023 on our consideration of Washtenaw Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Washtenaw 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 Washtenaw Intermediate School District's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 25, 2023

### ***Using This Annual Report***

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Washtenaw Intermediate School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, the Special Education Fund, and the Cooperative Activities Fund - with the other governmental funds presented in one column as nonmajor funds. The proprietary fund statements offer short- and long-term financial information about activities the School District operates like a business. This report is composed of the following elements:

#### **Management's Discussion and Analysis (MD&A) (Required Supplementary Information)**

##### **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

##### **Required Supplementary Information**

Budgetary Information for Major Funds

Schedule of Washtenaw Intermediate School District's Proportionate Share of the Net Pension Liability

Schedule of Washtenaw Intermediate School District's Proportionate Share of the Net OPEB Liability

Schedule of Washtenaw Intermediate School District's Pension Contributions

Schedule of Washtenaw Intermediate School District's OPEB Contributions

##### **Other Supplementary Information**

### ***Reporting the School District as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to local public school districts, teachers, and students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the services provided and the success in meeting the needs of the constituents, to assess the overall health of the School District.

## **Washtenaw Intermediate School District**

### **Management's Discussion and Analysis (Continued)**

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The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, and food services. Property taxes, unrestricted state aid, and state and federal grants finance most of these activities.

#### ***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Special Education and Food Service funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

#### **Governmental Funds**

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

#### **Proprietary Fund**

Proprietary fund reporting focuses on the economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds. The School District established proprietary funds for services for which the School District charges a fee intended to cover the entire cost of those services. One example is the Internal Service Fund, which is used to finance specific services provided to other funds of the School District on a cost-reimbursement basis. The specific services provided include health, dental, and vision insurance services.

## Washtenaw Intermediate School District

### Management's Discussion and Analysis (Continued)

#### **The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 92.0	\$ 83.3
Capital assets	59.9	61.1
Total assets	151.9	144.4
<b>Deferred Outflows of Resources</b>	54.7	38.3
<b>Liabilities</b>		
Current liabilities	41.1	36.7
Noncurrent liabilities	51.6	56.8
Net pension liability	122.5	78.0
Net OPEB liability	6.9	5.1
Total liabilities	222.1	176.6
<b>Deferred Inflows of Resources</b>	24.7	49.9
<b>Net Position (Deficit)</b>		
Net investment in capital assets	14.3	11.0
Restricted	4.1	2.7
Unrestricted	(58.6)	(57.5)
Total net position (deficit)	<u>\$ (40.2)</u>	<u>\$ (43.8)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(40.2) million at June 30, 2023. Net investment in capital assets totaling \$14.3 million compares the original cost, less depreciation of the School District's capital assets. Restricted net position is reported separately to show legal constraints from enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(58.6) million) was unrestricted.

The \$(58.6) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The deficit in net position is largely due to the requirement to record the School District's share of the state multiemployer pension and OPEB liabilities on the government-wide financial statements.



## Washtenaw Intermediate School District

### Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 26.7	\$ 24.5
Operating grants	21.4	20.5
General revenue:		
Taxes	112.4	106.8
State aid not restricted to specific purposes	35.1	31.1
Other	5.6	0.8
Total revenue	201.2	183.7
<b>Expenses</b>		
Instruction	31.4	25.4
Support services	49.6	42.5
Food services	0.3	0.3
Community services	1.9	1.2
Interdistrict payments	109.5	102.1
Interest	1.3	1.3
Depreciation and amortization expense (unallocated)	3.6	2.7
Total expenses	197.6	175.5
<b>Change in Net Position</b>	3.6	8.2
<b>Net Position (Deficit) - Beginning of year</b>	(43.8)	(52.0)
<b>Net Position (Deficit) - End of year</b>	<u>\$ (40.2)</u>	<u>\$ (43.8)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$197.6 million. Certain activities were partially funded from those who benefited from the programs (\$26.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$21.4 million). We paid for the remaining public benefit portion of our governmental activities with \$112.4 million in taxes, \$35.1 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$3.6 million. The key reason for the change in net position was that the School District received approximately \$201.2 million in revenue while only spending \$197.6 million for the year ended June 30, 2023. It should be noted that the following contributed to less spending: Act 18 outgoing transfers to districts were limited based on submitted SE costs of \$0.95 million, outgoing transfers in lieu of ARP funds not requested of \$0.25 million, and the fact districts did not request available Medicaid funds of \$0.42 million received by the School District. This accounts for the majority of the fund balance increase, as well as reduced spending overall.

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

#### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

## Washtenaw Intermediate School District

### Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$47.5 million, which is an increase of \$3.6 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, fund balance decreased by \$0.2 million to \$5.1 million. The reduction in fund balance is mainly due to the inability of the School District to record approximately \$740,000 in unavailable revenue as a result of collecting the revenue after August 31, 2023. If these funds were considered as revenue, fund balance would have increased by approximately \$580,000 mainly due to spending less than anticipated in areas such as technology and instructional service networks.

The Special Education Fund (special revenue fund) reported a fund balance of \$6.2 million this year, which is an increase of \$1.7 million from last year. The primary reasons for the increase are lower spending in areas of instructional staff support, return of taxes due to tribunal cases, technology, and capped Act 18 reimbursements to local districts as a result of not being able to reimburse more than they spent.

The fund balance of the Cooperative Activities Fund (special revenue fund) increased by \$1.0 million to \$22.8 million this year as a result of lower than anticipated Medicaid payouts to local districts per requests. In addition, the WEOC, New World Software, and Tech Consortium programs spent less than anticipated.

The combined fund balance of the other nonmajor funds, primarily the capital projects funds, increased by approximately \$1.1 million. This increase is primarily due to lower than anticipated spending in areas of repairs due to the completion of building High Point School.

#### **Major Governmental Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2023. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

#### *General Fund*

The final revenue budget in the General Fund, including transfers in, of approximately \$37.9 million was increased by approximately \$8.2 million from the original budget and reflects the following significant changes:

- Federal, state, and local revenue was approximately \$1,441,000, \$5,382,000, and \$1,248,000, respectively, more than originally budgeted due to being awarded unanticipated grants receiving increases in grants included in the original budget or being approved for carryover grant funds. Incoming transfer budgets decreased by \$482,000 as a reflection of lower than originally projected participation in the MVU project and increases for other projects such as Response to Teaching and Tri County programs.
- The budget for state revenue was increased by \$170,000 due to receiving an increased allocation of UAAL funding. There will also be an increase in the expense budget to offset this revenue increase.
- The budget for local revenue was increased by \$353,000 related to interest income and \$101,000 for more than anticipated property taxes.

The General Fund actual revenue, including transfers in, was approximately \$28.4 million, which was approximately \$9.4 million less than the final amended budget of \$37.9 million. Significant reasons for this variance are as follows:

- Local, state, federal, and interdistrict/incoming transfer reimbursement-type grant and project revenue was approximately \$1,356,000, \$5,105,000, \$1,439,000, and \$1,475,000, respectively, less than budgeted, primarily due to expenditures being less than the full grant award or project revenue. These revenue and expenditures will be deferred until the next fiscal year.
- Interest income collections were more than anticipated by approximately \$20,000, but miscellaneous revenue and registration fees were \$10,000 less than anticipated.

## Washtenaw Intermediate School District

### Management's Discussion and Analysis (Continued)

- State revenue collections were more than anticipated by approximately \$37,000 due to receiving increased UAAL allocation after final budgets were adopted. There will also be an increase in the expense budget to offset this revenue increase.
- Incoming transfer revenue for PSA administrative fees was \$14,100 more than budgeted.

The final expenditure budget in the General Fund, including transfers out, of \$38 million was increased by approximately \$7.5 million from the original budget and reflects the following significant changes:

- As mentioned above, the federal, state, and local revenue was approximately \$1,441,000, \$5,382,000, \$1,248,000, respectively, more than originally budgeted due to being awarded unanticipated grants, receiving increases in grants included in the original budget, or being approved for carryover grant funds. Incoming transfer budgets decreased by \$482,000 as a reflection of lower than originally projected participation in the MVU project and increases for other projects, such as Response to Teaching and Tri County programs.
- Position additions, vacancies, allocation of time changes, and fringe benefit costs were less than anticipated, resulting in a budget decrease of approximately \$113,000.
- Expenditures for local district school improvement, curriculum support, and assessment services were reduced due to more in-house training by local leaders, and lower substitute reimbursement payments to districts were necessary, resulting in a reduction in the expenditure budget of approximately \$46,000.
- Anticipated contracted services, capital equipment replacements, travel, printing, and supplies budgets of approximately \$86,000 in the grants and development, event services, and superintendent/board departments were not required or were postponed, and the final budget was amended to reflect the change.
- Anticipated operations expense less than anticipated, resulting in a budget decrease of approximately \$31,000.
- Budgeted expenditures for technology services were reduced by \$97,000 to reflect delayed shipping and lower than anticipated replacement of equipment and contract service needs.
- Budgeted outgoing transfers increased by \$301,000 for transfers to the General Education capital projects fund.
- Budgeted indirect costs from receiving additional grants were \$60,000 more than originally budgeted.

The actual expenditures of the General Fund, including transfers out, were approximately \$28.7 million, which is about \$9.3 million less than the final amended budget of \$38 million. Significant reasons for this variance include the following:

- Local, state, federal, and interdistrict/incoming transfer reimbursement-type grant and project expenditures was approximately \$1,191,000, \$5,102,000, \$1,439,000, and \$938,000, respectively, less than budgeted, primarily due to expenditures being less than the full grant award or project revenue. These grant expenses will be deferred until the next fiscal year.
- Staff costs were less than anticipated by \$40,000 as a result of grants or not filling positions.
- Anticipated technology services and supplies purchases of approximately \$325,000 were not required or were postponed until next year.
- Expenditures for maintenance and operations, including repairs of buildings/equipment and utilities, were less than anticipated based on needs and less usage of electricity and gas by \$17,000.
- Expenditures for local district school improvement, curriculum support, and assessment services were \$172,000 less than anticipated based on school district requests for reimbursement of expenses, postponement of some work, and enhancement of local capacity to conduct professional development.

## Washtenaw Intermediate School District

### Management's Discussion and Analysis (Continued)

- Communication services for advertising and contracted services were \$10,000 less than anticipated.
- Various general administrative contracted services were postponed or the expenditures were less than anticipated, resulting in the expenditures being \$30,000 less than the budget.
- TAAM (transportation training program) had \$31,000 more in outgoing transfers to districts than budgeted for based on final state aid amounts, etc.
- Indirect costs were \$17,500 less than anticipated due to not fully expending grant allocations.

#### *Special Education Fund*

The final revenue budget in the Special Education Fund, including transfers in, of \$144.8 million was increased by approximately \$15.6 million from the original budget and reflects the following significant changes:

- Federal, state, local, and interdistrict/incoming transfer revenue was approximately \$1,061,000, \$6,223,000, \$7,915,000, and \$254,000, respectively, more than originally budgeted due to being awarded unanticipated grants, receiving increases in grants included in the original budget, or being approved for carryover grant funds.
- The state revenue budget was increased by \$3,400,000 to reflect increases in state aid allocations for UAAL, ORS forfeiture funds, and additional state aid funds related to the prior year.
- The revenue budget was increased to reflect higher than anticipated interest income of \$250,000 and higher than anticipated collections from the County in the amount of \$158,000 due to higher anticipated costs.
- The local revenue budget was increased by \$7,430,000 for tax collections, which were more than anticipated.
- The budget for fund modification was increased by \$144,000 to reflect higher transfers into Special Education from Cooperative Projects WEOC programs due to higher costs than anticipated.

The actual revenue of the Special Education Fund, including transfers in, was approximately \$141.3 million, which is approximately \$3.5 million less than the final amended budget of \$144.8 million. Significant reasons for this variance include the following:

- Local, state, federal, and interdistrict/incoming transfer reimbursement-type grant and project revenue was approximately \$269,000, \$540,000, \$2,431,000, and \$224,000, respectively, less than budgeted, primarily due to expenditures being less than the full grant award or project revenue. These revenue and expenditures will be deferred until the next fiscal year.
- Actual tax collections and revenue in lieu of taxes were \$124,000 more than anticipated.
- Collection of project revenue for LEA services was \$90,000 less than anticipated due to not being able to fill positions.
- Collections for County for CIY program in the amount of \$346,000 were deferred until the next fiscal year, as they were not collected within 60 days of the year ended June 30, 2023.
- Interest income collected was \$115,000 more than anticipated.
- Actual leases into revenue reported were \$1,183,000 more than expected (GASB).
- Rental income was \$51,000 less than anticipated, as it was not paid within 60 days of the year ended June 30, 2023 from PSA, and miscellaneous revenue was \$13,000 more than expected.
- The final State Aid UAAL allocation was \$105,000 more than anticipated, and other State Aid collections were \$40,000 less than expected.
- Collections from local districts were \$28,000 more than anticipated due to last-minute service needs.

## Washtenaw Intermediate School District

### Management's Discussion and Analysis (Continued)

The final expenditure budget in the Special Education Fund, including transfers out, of \$145.4 million was increased by approximately \$16.2 million from the original budget and reflects the following significant changes:

- As mentioned above, federal, state, local, and interdistrict/incoming transfer expenditures were approximately \$1,061,000, \$2,900,000, \$8,500, and \$218,000, respectively, more than originally budgeted due to being awarded unanticipated grants, receiving increases in grants included in the original budget, or being approved for carryover grant funds.
- Staff vacancies in all classes of employees were either filled for less cost than originally anticipated, not filled, filled for a partial year, or covered by substitutes, and fringe benefit costs were less than anticipated, resulting in a reduction of the salary and benefit budgets of approximately \$3,900,000.
- Budgets for substitute staff increased by \$2,400,000 as a reflection of inability to hire staff and replacements.
- Budgets for supplies, travel, and professional development reduced by \$600,000 to reflect less staff and opportunities to travel and attend PD.
- Budget for paraprofessional training was reduced by \$711,000 to reflect most of the program expenses for the next fiscal year.
- Various general administrative and business contracted services and other expenditures were postponed, or the expenditures were less than anticipated, resulting in a reduction of \$68,700 in budgeted expenses.
- Budgets for rent, utility costs, operations, and maintenance-related expenditures were reduced by \$337,000 to align with actual anticipated costs in utilities and needed repairs.
- Budgeted expenditures for technology services were increased by \$30,000 to reflect replacement of equipment and contract service needs.
- Budgeted expenditures for tax tribunal cases were reduced by \$150,000 to reflect lower anticipated tax refunds.
- Transfers to the Food Service Fund were \$55,000 more than anticipated so budget was increased to reflect.
- The reimbursement to local school districts and other agencies for eligible special education costs was approximately \$15.6 million more than the amount budgeted, which was based on funds available for distribution estimates prior to the final budget amendment and adding outgoing transfers to local districts in lieu of IDEA ARP.

The actual expenditures of the Special Education Fund, including transfers out, were approximately \$140.8 million, which is about \$4.6 million less than the final amended budget of \$145.4 million. Significant reasons for this variance include the following:

- Local, state, federal, and interdistrict/incoming transfer reimbursement-type grant and project expenditures were approximately \$77,000, \$604,000, \$2,431,000, and \$252,000, respectively, less than budgeted, primarily due to expenditures being less than the full grant award or project revenue. These revenue and expenditures will be deferred until the next fiscal year.
- Instructional program and pupil support wages and benefits were under budget by approximately \$288,300 due to unfilled vacancies; the utilization of substitutes; contracting for services; and, correspondingly, benefits also being less than anticipated.
- Instructional program and pupil support contracted services, including substitute teachers and assistants, and supplies of approximately \$350,000 were not required or were postponed until the next fiscal year.

# Washtenaw Intermediate School District

## Management's Discussion and Analysis (Continued)

- Various general administrative and business contracted services and other expenditures were postponed, or the expenditures were less than anticipated, resulting in the expenditures being \$40,000 less than the budget, including legal and dues and fees for election costs.
- Communications spent less in advertising and contracted services than anticipated by \$49,000.
- Repayments of property taxes due to State Tax Commission Tax Tribunal cases were less than the budgeted by \$200,000.
- Rent, utility costs, operations, and maintenance-related expenditures were \$1.2 million more than anticipated, which includes an expense of \$1,076,000 for expenses related to new lease agreements that were not budgeted for due to the requirements of GASB 87 reporting.
- Anticipated technology services and supplies purchases of approximately \$313,000 were not required or were postponed until the next fiscal year.
- Student transportation needs for field trips etc. were \$34,000 less than anticipated.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

As of June 30, 2023 and 2022, the School District had \$59.8 million and \$61.1 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.2 million from 2022 to 2023.

	Governmental Activities	
	2023	2022
Land	\$ 93,670	\$ 93,670
Nondepreciable land improvements	1,281,561	-
Buildings and improvements	50,839,740	51,862,525
Furniture and equipment	11,753,251	9,471,603
Buses and other vehicles	229,720	229,720
Lease assets - Buildings	11,811,938	10,628,704
Land improvements	1,930,221	3,205,835
Less accumulated depreciation and amortization	77,940,101	75,492,057
Total capital assets - Net of accumulated depreciation and amortization	18,082,009	14,396,963
Total capital assets - Net of accumulated depreciation	<b>\$ 59,858,092</b>	<b>\$ 61,095,094</b>

This year's additions of \$2.5 million were primarily capitalized building and improvements from bonded construction related to the 2019 School Building and Site Bonds, as well as lease assets related to leases entered into during the current year. We present more detailed information about our capital assets in Note 7 to the financial statements.

#### **Debt**

At the end of this year, the School District had \$33.9 million in bonds outstanding versus \$38.3 million in the previous year.

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit.

Other obligations include accrued sick leave, vacation benefits, and long-term debt. We present more detailed information about our long-term liabilities in Note 10 to the financial statements.

## Washtenaw Intermediate School District

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### Management's Discussion and Analysis (Continued)

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#### ***Economic Factors and Next Year's Budgets and Rates***

Our elected officials and administration consider many factors when setting the School District's 2023-2024 fiscal year budget. One of the most important factors affecting the operating budgets of intermediate school districts is property tax revenue.

Increases in property tax revenue on property that was on the tax rolls in the prior year are limited to a defined inflationary factor. For the 2023-2024 year, the inflationary factor is 7.9 percent. It is not anticipated that every individual property would increase by the full 7.9 percent, especially commercial property. New property added to the tax rolls provides additional financial resources for district operations and for funding support for our local school districts. Taking into account the property additions and the constitutional limit, the increase in property tax revenue for 2023-2024 over the 2022-2023 level is estimated to be approximately 4.0 percent in both the General Fund and the Special Education Fund.



# Washtenaw Intermediate School District

## Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments (Note 4)	\$ 61,239,835
Receivables:	
Property taxes receivable	554,714
Other receivables	156,036
Due from other governments	20,678,689
Inventory	9,765
Prepaid costs	310,861
Restricted assets (Note 9)	8,981,539
Capital assets - Net (Note 7)	<u>59,858,092</u>
Total assets	151,789,531
<b>Deferred Outflows of Resources</b>	
Deferred pension costs (Note 13)	43,096,821
Deferred OPEB costs (Note 13)	<u>11,578,017</u>
Total deferred outflows of resources	54,674,838
<b>Liabilities</b>	
Accounts payable	26,589,811
Due to other governmental units	521,353
Accrued liabilities and other	6,859,152
Unearned revenue (Note 6)	7,055,180
Noncurrent liabilities:	
Due within one year (Note 10)	7,530,603
Due in more than one year (Note 10)	44,101,768
Net pension liability (Note 13)	122,458,537
Net OPEB liability (Note 13)	<u>6,937,833</u>
Total liabilities	222,054,237
<b>Deferred Inflows of Resources</b>	
Revenue in support of pension contributions made subsequent to the measurement date (Note 13)	9,006,486
Deferred pension cost reductions (Note 13)	1,213,265
Deferred OPEB cost reductions (Note 13)	<u>14,482,621</u>
Total deferred inflows of resources	<u>24,702,372</u>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	14,263,683
Restricted:	
Food service	16,255
Debt service	3,115,817
Capital projects	956,732
Unrestricted	<u>(58,644,727)</u>
Total net position (deficit)	<u><u>\$ (40,292,240)</u></u>



# Washtenaw Intermediate School District

## Statement of Activities

Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 31,364,685	\$ 19,480,974	\$ 1,159,954	\$ (10,723,757)
Support services	49,580,271	6,163,315	3,031,033	(40,385,923)
Food services	303,836	42,465	222,036	(39,335)
Community services	1,854,995	980,085	1,619,635	744,725
Interdistrict payments	109,528,794	-	15,364,161	(94,164,633)
Interest	1,306,260	-	-	(1,306,260)
Depreciation and amortization expense (unallocated) (Note 7)	3,643,981	-	-	(3,643,981)
Total primary government	<b>\$ 197,582,822</b>	<b>\$ 26,666,839</b>	<b>\$ 21,396,819</b>	(149,519,164)
General revenue (expense):				
Taxes:				
Property taxes levied for general purposes				1,879,693
Property taxes levied for debt service				7,223,718
Property taxes levied for special education (ISD)				103,272,464
State aid not restricted to specific purposes				35,123,027
Federal grants and contributions not restricted to specific purposes				266,689
Interest and investment earnings				3,970,085
Penalties, interest, and other taxes				11,150
Loss on disposal of capital assets (Note 7)				(98,345)
Other				1,384,850
Total general revenue				<u>153,033,331</u>
<b>Change in Net Position</b>				3,514,167
<b>Net Position (Deficit) - Beginning of year</b>				<u>(43,806,407)</u>
<b>Net Position (Deficit) - End of year</b>				<b><u>\$ (40,292,240)</u></b>

# Washtenaw Intermediate School District

## Governmental Funds Balance Sheet

June 30, 2023

	General Fund	Special Education Fund	Cooperative Activities Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 4)	\$ 8,798,696	\$ 22,194,810	\$ 24,190,430	\$ 4,579,206	\$ 59,763,142
Receivables:					
Property taxes receivable	7,463	519,860	-	27,391	554,714
Other receivables	193	52,734	-	5,009	57,936
Due from other governments	8,277,289	12,060,287	293,822	47,291	20,678,689
Due from other funds (Note 8)	198,102	328,965	-	74,738	601,805
Inventory	-	-	-	9,765	9,765
Prepaid costs	47,881	206,043	15,677	41,260	310,861
Restricted assets (Note 9)	-	-	-	8,981,539	8,981,539
<b>Total assets</b>	<b>\$ 17,329,624</b>	<b>\$ 35,362,699</b>	<b>\$ 24,499,929</b>	<b>\$ 13,766,199</b>	<b>\$ 90,958,451</b>
<b>Liabilities</b>					
Accounts payable	\$ 4,472,207	\$ 21,792,492	\$ 251,534	\$ 73,578	\$ 26,589,811
Due to other governmental units	512,583	-	-	8,770	521,353
Due to other funds (Note 8)	-	-	571,318	189,780	761,098
Accrued liabilities and other	119,741	5,656,171	802,010	-	6,577,922
Unearned revenue (Note 6)	6,372,701	666,251	16,228	-	7,055,180
<b>Total liabilities</b>	<b>11,477,232</b>	<b>28,114,914</b>	<b>1,641,090</b>	<b>272,128</b>	<b>41,505,364</b>
<b>Deferred Inflows of Resources -</b>					
Unavailable revenue (Note 6)	766,542	1,072,426	44,806	24,222	1,907,996
<b>Total liabilities and deferred inflows of resources</b>	<b>12,243,774</b>	<b>29,187,340</b>	<b>1,685,896</b>	<b>296,350</b>	<b>43,413,360</b>
<b>Fund Balances</b>					
Nonspendable:					
Inventory	-	-	-	9,765	9,765
Prepaid costs	47,881	206,043	15,677	41,260	310,861
Restricted:					
Debt service	-	-	-	3,397,047	3,397,047
Capital projects	-	-	-	9,369,676	9,369,676
Special education	-	5,969,316	-	-	5,969,316
Food service	-	-	-	3,595	3,595
Committed:					
Capital projects	-	-	-	467,579	467,579
Cooperative activities	-	-	22,798,356	-	22,798,356
Student activities	-	-	-	180,927	180,927
Assigned- Budgeted use of fund balance in subsequent year	668,936	-	-	-	668,936
Unassigned	4,369,033	-	-	-	4,369,033
<b>Total fund balances</b>	<b>5,085,850</b>	<b>6,175,359</b>	<b>22,814,033</b>	<b>13,469,849</b>	<b>47,545,091</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 17,329,624</b>	<b>\$ 35,362,699</b>	<b>\$ 24,499,929</b>	<b>\$ 13,766,199</b>	<b>\$ 90,958,451</b>

## Washtenaw Intermediate School District

### Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2023

<b>Fund Balances Reported in Governmental Funds</b>	\$ 47,545,091
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and lease assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of assets	77,940,101
Accumulated depreciation and amortization	<u>(18,082,009)</u>
Net capital assets and lease assets used in governmental activities	59,858,092
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	1,907,996
Bonds payable and lease liabilities are not due and payable in the current period and are not reported in the funds	(50,224,466)
Accrued interest is not due and payable in the current period and is not reported in the funds	(281,230)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(518,712)
Net pension liability and related deferred inflows and outflows	(80,574,981)
Retiree health care benefits	(9,842,437)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(9,006,486)
Internal service funds are included as part of governmental activities	<u>844,893</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<b><u><u>\$ (40,292,240)</u></u></b>

# Washtenaw Intermediate School District

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2023**

	General Fund	Special Education Fund	Cooperative Activities Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Local sources	\$ 3,063,021	\$ 105,815,425	\$ 8,236,691	\$ 7,993,331	\$ 125,108,468
State sources	15,138,018	21,742,007	2,136,601	47,212	39,063,838
Federal sources	8,111,119	13,174,682	204,444	222,038	21,712,283
Interdistrict sources	2,117,596	279,927	15,529,266	-	17,926,789
Total revenue	28,429,754	141,012,041	26,107,002	8,262,581	203,811,378
<b>Expenditures</b>					
Current:					
Instruction	917,511	18,640,583	10,169,910	-	29,728,004
Support services	12,838,203	29,135,518	6,960,824	159,559	49,094,104
Food services	-	-	-	303,836	303,836
Community services	1,824,833	12,796	2,000	-	1,839,629
Debt service	-	1,015,831	491,518	6,249,700	7,757,049
Capital outlay	129,161	1,509,071	67,740	1,417,754	3,123,726
Interdistrict payments	12,632,104	89,972,920	6,923,770	-	109,528,794
Total expenditures	28,341,812	140,286,719	24,615,762	8,130,849	201,375,142
<b>Excess of Revenue Over Expenditures</b>	87,942	725,322	1,491,240	131,732	2,436,236
<b>Other Financing Sources (Uses)</b>					
Leases entered into (Note 10)	-	1,183,234	-	-	1,183,234
Transfers in (Note 8)	54,175	284,419	-	987,604	1,326,198
Transfers out (Note 8)	(300,912)	(529,692)	(495,594)	-	(1,326,198)
Total other financing (uses) sources	(246,737)	937,961	(495,594)	987,604	1,183,234
<b>Net Change in Fund Balances</b>	(158,795)	1,663,283	995,646	1,119,336	3,619,470
<b>Fund Balances - Beginning of year</b>	5,244,645	4,512,076	21,818,387	12,350,513	43,925,621
<b>Fund Balances - End of year</b>	<b>\$ 5,085,850</b>	<b>\$ 6,175,359</b>	<b>\$ 22,814,033</b>	<b>\$ 13,469,849</b>	<b>\$ 47,545,091</b>

## Washtenaw Intermediate School District

### Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2023

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 3,619,470</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	2,505,324
Depreciation and amortization expense	(3,643,981)
Net book value of assets disposed of	(98,345)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	1,258,705
Revenue in support of pension contributions made subsequent to the measurement date	(3,874,749)
Entering into leases provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(1,183,234)
Repayment of bond principal and lease liabilities is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt and lease liabilities); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	6,414,771
Interest expense is recognized in the government-wide statements as it accrues	36,018
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(746,867)
Internal service funds are included as part of governmental activities	(772,945)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 3,514,167</u></b>

## Washtenaw Intermediate School District

### Proprietary Fund Statement of Net Position

June 30, 2023

Governmental  
Activities  
Internal Service  
Fund

#### Assets

Current assets:

Cash and investments (Note 4)

Receivables

Due from other funds (Note 8)

Total assets

\$ 1,476,693  
98,100  
159,293

1,734,086

Liabilities - Self-insurance claims (Note 12)

889,193

Net Position - Unrestricted

\$ 844,893

## Washtenaw Intermediate School District

### Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2023

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
<b>Operating Revenue</b> - Charges for services	\$ 5,836,785
<b>Operating Expenses</b> - Cost of insurance claims	<u>6,609,730</u>
<b>Change in Net Position</b> - Operating loss	(772,945)
<b>Net Position</b> - Beginning of year	<u>1,617,838</u>
<b>Net Position</b> - End of year	<u><u>\$ 844,893</u></u>

## Washtenaw Intermediate School District

## Proprietary Fund Statement of Cash Flows

Year Ended June 30, 2023

	<u>Governmental Activities Internal Service Fund</u>
<b>Cash Flows from Operating Activities</b>	
Charges for services	\$ 5,836,785
Claims paid	<u>(6,432,654)</u>
<b>Net Decrease in Cash and Investments - Net cash used in operating activities</b>	(595,869)
<b>Cash and Investments - Beginning of year</b>	<u>2,072,562</u>
<b>Cash and Investments - End of year</b>	<b><u>\$ 1,476,693</u></b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>	
Operating loss	\$ (772,945)
Adjustments to reconcile operating loss to net cash from operating activities:	
Changes in assets and liabilities:	
Due to other funds - Net	29,855
Accounts payable	<u>147,221</u>
Total adjustments	<u>177,076</u>
Net cash used in operating activities	<b><u>\$ (595,869)</u></b>



June 30, 2023

### Note 1 - Nature of Business

Washtenaw Intermediate School District (the "School District") is an intermediate school district in the state of Michigan that provides a broad spectrum of services and support to various school districts within Washtenaw County.

### Note 2 - Significant Accounting Policies

#### *Accounting and Reporting Principles*

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

#### *Reporting Entity*

The School District is governed by an elected five-member Board of Education. In accordance with governmental accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

#### *Report Presentation*

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### *Basis of Accounting*

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, expenditures related to claims and judgments are recorded only when payment is due.

**Note 2 - Significant Accounting Policies (Continued)**

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***Fund Accounting***

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into the following fund types:

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, and capital projects funds. The School District reports the following funds as major governmental funds:

- The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District except those required to be accounted for in another fund.
- The Special Education Fund (special revenue fund) is used to account for all the financial resources relating to the operations of special education programs of the School District. The Special Education Fund is funded primarily by property taxes and federal and state grant programs that are restricted to expenditure for specified purposes. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The Cooperative Activities Fund (special revenue fund) is used to account for all of the financial resources relating to the operation of the W-A-Y Washtenaw, Early College Alliance, International Baccalaureate, county-wide software project, and Medicaid programs. The Cooperative Activities Fund is funded primarily by charges for services that are committed to expenditure for specified purposes. Any operating deficit generated by these activities is the responsibility of the General Fund.

Additionally, the School District reports the following fund types:

- The School District's nonmajor special revenue funds are the Food Service and the Student Activity funds. The Food Service special revenue fund is used to account for activities relating to the operation of the cafeteria. The Food Service Fund is funded primarily by charges for services and federal grant programs that are restricted to expenditure for specified purposes. Revenue sources for the Student Activity Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.

**Note 2 - Significant Accounting Policies (Continued)**

- The 2019 Bonds Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for the construction of the new High Point school and site. The fund operates until the purpose for which it was created is accomplished.
- The WEOC, General Education, and Special Education capital projects funds are used to record transfers from other funds and other revenue and the disbursement of funds specifically designated for acquiring equipment and for major remodeling and repairs. The funds operate until the purpose for which they were created is accomplished. The Special Education capital projects fund was funded through transfers from the Special Education Fund, and, accordingly, its expenditures are restricted to specified purposes.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

**Proprietary Fund**

The School District has an internal service fund, which is considered a proprietary fund and provides goods or services to other funds of the School District. The Internal Service Fund accounts for payments of self-insured health, dental, and vision insurance services provided to other departments of the School District on a cost-reimbursement basis.

**Interfund Activity**

During the course of operations, the School 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, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, 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, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

***Specific Balances and Transactions***

**Cash and Investments**

Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair value, except for investments in external investment pools, which are at amortized cost or net asset value (NAV).

**Inventory and Prepaid Costs**

Inventory is valued at cost on a first-in, first-out basis. Inventory of governmental funds is recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Restricted Assets**

The unspent bond proceeds and related interest of the bonded capital projects funds require amounts to be set aside for construction. A debt service fund has been established and records assets specifically to be used for servicing of bonded debt. These amounts have been classified as restricted assets.

Note 2 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, furniture and equipment, and buses and other vehicles and leased assets (further defined in lease section below), are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

Capital assets are depreciated or amortized using the straight-line method over the following useful lives:

	<u>Depreciable Life - Years</u>
Buildings, building additions, and land improvements	0 to 50
Buses and other vehicles	5 to 10
Furniture and other equipment	5 to 10
Leased assets - Buildings	30

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources, and bond discounts as other financing uses. The debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has deferred outflows of resources related to deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The School District has deferred inflows of resources related to unavailable revenue, revenue in support of pension payments made subsequent to the measurement date, and deferred pension and OPEB costs.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings, if any, used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Note 2 - Significant Accounting Policies (Continued)**

**Net Position Flow Assumption**

The School District will sometimes 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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The School District will sometimes 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 government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

The 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 nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The government 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 government's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the assistant superintendent of business services 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 exist only 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.

The Board of Education has adopted a fund balance policy for the General Fund. The fund balance policy prescribes the minimum General Fund fund balance as 15 percent of annual operating expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

**Note 2 - Significant Accounting Policies (Continued)**

**Property Tax Revenue**

The School District has 37 taxing entities in which property taxes are levied and become a lien as of July 1 and December 1 and are due between August 1 and September 14 and between January 1 and February 1, respectively. An allowance has been established based on past collection history to provide for taxes that may be ultimately uncollectible. The revenue related to property taxes not collected within 60 days has been deferred in the accompanying financial statements.

**Grants and Contributions**

From time to time, the School District receives grants from the federal government; Washtenaw County, Michigan; and the State of Michigan, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

**Pension and Other Postemployment Benefit (OPEB) Costs**

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

**Compensated Absences**

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

**Proprietary Funds Operating Classification**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Use of Estimates**

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



**Note 2 - Significant Accounting Policies (Continued)**

**Leases**

The School District is a lessee for noncancelable leases of buildings. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

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

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

- The School 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 School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease, as well as options for extensions that the School District is reasonably certain to exercise. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets, and lease liabilities are reported with long-term debt on the statement of net position.

***Upcoming Accounting Pronouncement***

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

**Note 3 - Stewardship, Compliance, and Accountability**

***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. The presentation of the budget information and the basic financial statements is consistent, except that capital outlay is presented within the functional categories in the budget. All annual appropriations lapse at fiscal year end.

Note 3 - Stewardship, Compliance, and Accountability (Continued)

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the School District incurred expenditures in the General Fund and major special revenue funds that were significantly in excess of the amounts budgeted as follows:

	Budget	Actual
Special Education Fund - Support services - Operations and maintenance	\$ 2,378,752	\$ 3,529,127
Cooperative Activities Fund - Support services - Operations and maintenance	278,874	611,804
Cooperative Activities Fund - Support services - Pupil transportation services	13,192	16,870

These variances were primarily the result of new leases entered into during the year. Under GASB 87, Leases, the present value of future lease payments is recorded as capital outlay and other financing sources at lease inception. This activity was not included in the budget resulting in the overages.

Capital Projects Fund Compliance

The 2019 Bonds Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan’s School Code.

Note 4 - Deposits and Investments

State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers’ acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District’s deposits are in accordance with statutory authority.

The School District has designated six banks for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost, except for a 1-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.



**Note 4 - Deposits and Investments (Continued)**

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. At year end, the School District's deposit balance of \$1,811,726 had bank deposits of \$1,311,726 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

**Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District did not invest in uninsured and unregistered investment securities.

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of 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; 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 School District's cash requirements.

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities are as follows:

Investment	Carrying Value	Rating	Rating Organization
<b>Primary Government</b>			
Michigan Liquid Asset Fund MAX Class	\$ 58,096,136	AAAm	Standard's & Poor's
Michigan Liquid Asset Fund Cash Mgmt Class	13,447,879	AAAm	Standard's & Poor's
Michigan CLASS	2,301	AAAm	Standard's & Poor's
Comerica Govt Cash Investment Fund J	2,773	Not rated	N/A
Total	<u>\$ 71,549,089</u>		

**Concentration of Credit Risk**

The School District places no limit on the amount the School District may invest in any one issuer. The School District's investment policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The School District does not have any investments subject to concentration of credit risk.

**Note 4 - Deposits and Investments (Continued)**

***Foreign Currency Risk***

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

**Note 5 - Fair Value Measurements**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented below.

***Investments in Entities that Calculate Net Asset Value per Share***

The School District holds shares in the Michigan CLASS investment pool, for which the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At June 30, 2023, the net asset value of the School District's investment in the Michigan CLASS pool was \$2,301. The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated A1 or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

**Note 6 - Unavailable/Unearned Revenue**

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2023, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Delinquent property taxes	\$ 505,442	\$ -
Grant receivables unavailable for use in the current period	279,144	-
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	6,501,833
Other	1,123,410	553,347
<b>Total</b>	<b>\$ 1,907,996</b>	<b>\$ 7,055,180</b>

**Note 7 - Capital Assets**

Capital asset activity of the School District's governmental activities was as follows:

**Governmental Activities**

	Balance July 1, 2022	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 93,670	\$ -	\$ -	\$ -	\$ 93,670
Land improvements	-	-	-	1,281,561	1,281,561
Subtotal	93,670	-	-	1,281,561	1,375,231
Capital assets being depreciated:					
Buildings and improvements	51,862,525	1,196,445	(57,280)	(2,161,950)	50,839,740
Furniture and equipment	9,471,603	119,698	-	2,161,950	11,753,251
Buses and other vehicles	229,720	-	-	-	229,720
Land improvements	3,205,835	5,947	-	(1,281,561)	1,930,221
Lease assets - Buildings	10,628,704	1,183,234	-	-	11,811,938
Subtotal	75,398,387	2,505,324	(57,280)	(1,281,561)	76,564,870
Accumulated depreciation:					
Buildings and improvements	8,009,717	1,515,814	32,291	-	9,557,822
Furniture and equipment	4,292,771	612,637	-	-	4,905,408
Buses and other vehicles	143,486	16,728	733	-	160,947
Land improvements	620,826	79,910	8,041	-	708,777
Lease assets - Buildings	1,330,163	1,418,892	-	-	2,749,055
Subtotal	14,396,963	3,643,981	41,065	-	18,082,009
Net capital assets being depreciated/amortized	61,001,424	(1,138,657)	(98,345)	(1,281,561)	58,482,861
Net governmental activities capital assets	\$ 61,095,094	\$ (1,138,657)	\$ (98,345)	\$ -	\$ 59,858,092

**June 30, 2023**

**Note 7 - Capital Assets (Continued)**

Depreciation and amortization expense was not charged to activities, as the School District's assets benefit multiple activities and allocation is not practical.

**Note 8 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		Total
	Cooperative Activities Fund	Nonmajor Governmental Funds	
General Fund	\$ 198,102	\$ -	\$ 198,102
Special Education Fund	328,965	-	328,965
Nonmajor governmental funds	44,251	30,487	74,738
Internal Service Fund	-	159,293	159,293
<b>Total</b>	<b>\$ 571,318</b>	<b>\$ 189,780</b>	<b>\$ 761,098</b>

Interfund balances represent routine and temporary cash flow assistance until amounts are transferred from fund accounts.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Special Education Fund	Nonmajor governmental funds	\$ 529,692
Cooperative Activities Fund	General Fund	54,175
	Special Education Fund	284,419
	Nonmajor governmental funds	157,000
	<b>Total Cooperative Activities Fund</b>	<b>495,594</b>
General Fund	Nonmajor governmental funds	300,912
	<b>Total</b>	<b>\$ 1,326,198</b>

Transfers from the Special Education Fund and Cooperative Activities Fund represent nonreciprocal activity between the funds and represent reimbursement for indirect costs incurred by the funds. In addition, the General Fund transferred \$300,912 to the General Education capital projects fund in order to provide resources for current and future projects.

**Note 9 - Restricted Assets**

At June 30, 2023, restricted assets are composed of the following:

Description	Governmental Activities
Unspent bond proceeds	\$ 5,599,907
Bond debt service reserve	3,381,632
<b>Total</b>	<b>\$ 8,981,539</b>

June 30, 2023

**Note 10 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:					
General obligation	\$ 38,315,000	\$ -	\$ (4,350,000)	\$ 33,965,000	\$ 4,725,000
Unamortized bond premiums	7,584,222	-	(861,056)	6,723,166	935,285
Total bonds payable - other debt	45,899,222	-	(5,211,056)	40,688,166	5,660,285
Lease liability (Note 11)	9,556,781	1,183,234	(1,203,715)	9,536,300	971,125
Compensated absences	603,526	-	(84,814)	518,712	10,000
Self-insurance claims (Note 12)	741,972	147,221	-	889,193	889,193
Total governmental activities long-term debt	<u>\$ 56,801,501</u>	<u>\$ 1,330,455</u>	<u>\$ (6,499,585)</u>	<u>\$ 51,632,371</u>	<u>\$ 7,530,603</u>

**General Obligation Bonds**

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. General obligations outstanding at June 30, 2023 are as follows:

Purpose	Remaining Annual Installments	Interest Rate	Maturing	Outstanding
\$44,570,000 serial bonds	\$4,725,000 - \$6,505,000	5.00%	May 1, 2029	\$ 33,965,000

**Other Long-term Liabilities**

Compensated absences and lease liabilities attributable to the governmental activities will be liquidated primarily by the General Fund and Special Education Fund. The self-insurance claims liability will generally be liquidated through the School District's internal service fund.

**Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for the above bonds are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 4,725,000	\$ 1,682,200	\$ 6,407,200
2025	5,105,000	1,462,000	6,567,000
2026	5,525,000	1,206,750	6,731,750
2027	5,905,000	930,500	6,835,500
2028	6,200,000	635,250	6,835,250
2029	6,505,000	325,250	6,830,250
Total	<u>\$ 33,965,000</u>	<u>\$ 6,241,950</u>	<u>\$ 40,206,950</u>

**Note 11 - Leases**

The School District leases certain assets from various third parties. The assets leased include building space used for the School District's programs. Payments are generally fixed monthly.

**Note 11 - Leases (Continued)**

Lease asset activity of the School District is included in Note 7.

Future principal and interest payment requirements related to the School District's lease liability at June 30, 2023 are as follows:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 971,125	\$ 283,507	\$ 1,254,632
2025	1,027,340	252,746	1,280,086
2026	1,044,800	220,706	1,265,506
2027	1,018,551	188,838	1,207,389
2028	820,947	160,122	981,069
2029-2033	4,447,466	406,267	4,853,733
2034-2038	206,071	3,093	209,164
Total	<u>\$ 9,536,300</u>	<u>\$ 1,515,279</u>	<u>\$ 11,051,579</u>

**Note 12 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for errors and omissions. The School District participates in the MASB/SEG risk pool for claims relating to all risks related to property and liability coverage on owned buildings and contents, umbrella liability, bus and auto fleet, travel accident, workers' disability, and other miscellaneous coverage. The School District is self-insured for health, dental, and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District estimates the liability for medical, dental, and vision claims that have been incurred through the end of the fiscal year, including both those claims that have been reported and those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the fiscal year are as follows:

	<u>2023</u>	<u>2022</u>
Estimated liability - Beginning of year	\$ 741,972	\$ 743,704
Estimated claims incurred, including changes in estimates	6,756,951	5,561,178
Claim payments	<u>(6,609,730)</u>	<u>(5,562,910)</u>
Estimated liability - End of year	<u>\$ 889,193</u>	<u>\$ 741,972</u>

**Note 13 - Michigan Public School Employees' Retirement System**

***Plan Description***

The School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

June 30, 2023

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

***Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

***Contributions***

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.



**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

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

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2021 - September 30, 2022	13.37% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2023 were \$16,308,390, which includes the School District's contributions required for those members with a defined contribution benefit. For the year ended June 30, 2023, the School District's required and actual pension contributions include an allocation of \$5,691,705 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate, as well as \$3,314,781 of a one-time state payment received and remitted to the System for the purpose of contributing additional assets to the System.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2023 were \$3,024,479, which includes the School District's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2023, the School District reported a liability of \$122,458,537 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The School 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. At September 30, 2022 and 2021, the School District's proportion was 0.33 and 0.33 percent, respectively, representing a change of (1.17) percent.



**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

**Net OPEB Liability**

At June 30, 2023, the School District reported a liability of \$6,937,833 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2023 was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the School District's proportion was 0.33 and 0.34 percent, respectively, representing a change of (2.23) percent.

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

For 2023, the School District recognized pension expense of \$19,973,866, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,225,013	\$ (273,804)
Changes in assumptions	21,042,765	-
Net difference between projected and actual earnings on pension plan investments	287,165	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	6,437,997	(939,461)
The School District's contributions to the plan subsequent to the measurement date	14,103,881	-
Total	\$ 43,096,821	\$ (1,213,265)

The \$9,006,486 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2024	\$ 10,026,377
2025	6,523,662
2026	4,298,232
2027	6,931,404
Total	\$ 27,779,675

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2023, the School District recognized OPEB recovery of \$1,213,807.

June 30, 2023

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (13,588,557)
Changes in assumptions	6,183,913	(503,529)
Net difference between projected and actual earnings on OPEB plan investments	542,246	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	2,798,318	(390,535)
Employer contributions to the plan subsequent to the measurement date	2,053,540	-
Total	<u>\$ 11,578,017</u>	<u>\$ (14,482,621)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2024	\$ (1,347,204)
2025	(1,542,829)
2026	(1,699,010)
2027	(165,303)
2028	(188,829)
Thereafter	(14,969)
Total	<u>\$ (4,958,144)</u>

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2022 are based on the results of an actuarial valuation as of September 30, 2021 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1, graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

Significant assumption changes since the measurement date, September 30, 2021, for the pension and OPEB plans include a decrease in the discount rate used in the September 30, 2022 measurement date by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan. The investment rate of return used in the September 30, 2022 measurement date decreased by 0.80 percentage points in the pension plan 0.95 percentage points in the OPEB plan. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2021.

**Discount Rate**

The discount rate used to measure the total pension and OPEB liability was 6.00 percent as of September 30, 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.10 %
Private equity pools	16.00	8.70
International equity pools	15.00	6.70
Fixed-income pools	13.00	(0.20)
Real estate and infrastructure pools	10.00	5.30
Absolute return pools	9.00	2.70
Short-term investment pools	10.00	5.80
Real return/opportunistic pools	2.00	(0.50)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.2 percent.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's 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:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net pension liability of the School District	\$ 161,599,775	\$ 122,458,537	\$ 90,204,394

June 30, 2023

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net OPEB liability of the School District	\$ 11,637,547	\$ 6,937,833	\$ 2,980,090

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability of the School District	\$ 2,905,233	\$ 6,937,833	\$ 11,464,506

***Pension Plan and OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

***Payable to the Pension Plan and OPEB Plan***

At June 30, 2023, the School District reported a payable of \$2,681,040 and \$420,123 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2023.

**Note 14 - Tax Abatements**

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974), brownfield redevelopment agreements, and Obsolete Property Rehabilitation Act granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. The Obsolete Property Rehabilitation Act (PA 146 of 2000) provides property tax exemptions for commercial and commercial housing properties that are rehabilitated and meet the requirements of the act.

For the fiscal year ended June 30, 2023, the School District's property tax revenue was reduced by approximately \$1,243,000 under these programs.

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## Required Supplementary Information

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## Washtenaw Intermediate School District

### Required Supplementary Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 2,739,790	\$ 4,419,131	\$ 3,063,021	\$ (1,356,110)
State sources	14,680,777	20,242,598	15,138,018	(5,104,580)
Federal sources	8,108,697	9,549,739	8,111,119	(1,438,620)
Interdistrict sources	4,072,879	3,592,621	2,117,596	(1,475,025)
Total revenue	29,602,143	37,804,089	28,429,754	(9,374,335)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	1,873,211	1,076,569	521,571	(554,998)
Added needs	57,953	72,584	73,596	1,012
Adult/Continuing education	279,348	360,963	322,344	(38,619)
Support services:				
Pupil	2,588,640	3,461,745	1,594,768	(1,866,977)
Instructional staff	4,728,924	8,251,574	5,642,010	(2,609,564)
General administration	750,322	806,051	771,780	(34,271)
School administration	13,065	95,230	81,011	(14,219)
Business	295,311	506,367	500,918	(5,449)
Operations and maintenance	675,918	798,778	704,966	(93,812)
Other support services	94,141	124,468	74,123	(50,345)
Central	4,087,583	4,068,026	3,465,861	(602,165)
Other support services	119,894	128,207	129,229	1,022
Community services	1,653,846	2,159,747	1,827,531	(332,216)
Interdistrict payments	13,095,303	15,755,815	12,632,104	(3,123,711)
Total expenditures	30,313,459	37,666,124	28,341,812	(9,324,312)
<b>Excess of Revenue (Under) Over Expenditures</b>	(711,316)	137,965	87,942	(50,023)
<b>Other Financing Sources (Uses)</b>				
Transfers in	46,088	85,284	54,175	(31,109)
Transfers out	(203,156)	(322,812)	(300,912)	21,900
Total	(157,068)	(237,528)	(246,737)	(9,209)
<b>Net Change in Fund Balance</b>	(868,384)	(99,563)	(158,795)	(59,232)
<b>Fund Balance - Beginning of year</b>	5,244,645	5,244,645	5,244,645	-
<b>Fund Balance - End of year</b>	<u>\$ 4,376,261</u>	<u>\$ 5,145,082</u>	<u>\$ 5,085,850</u>	<u>\$ (59,232)</u>

## Washtenaw Intermediate School District

### Required Supplementary Information Budgetary Comparison Schedules - Major Special Revenue Funds Special Education Fund

**Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 98,168,899	\$ 106,084,313	\$ 105,815,425	\$ (268,888)
State sources	16,058,727	22,282,124	21,742,007	(540,117)
Federal sources	14,544,408	15,605,657	13,174,682	(2,430,975)
Interdistrict sources	249,637	503,904	279,927	(223,977)
Total revenue	129,021,671	144,475,998	141,012,041	(3,463,957)
<b>Expenditures</b>				
Current:				
Instruction - Added needs	19,266,924	19,971,059	18,755,268	(1,215,791)
Support services:				
Pupil	18,551,282	18,939,011	17,991,818	(947,193)
Instructional staff	4,689,042	4,289,034	4,112,349	(176,685)
General administration	317,037	315,370	313,011	(2,359)
School administration	302,013	309,588	299,744	(9,844)
Business	1,754,317	1,608,559	1,313,582	(294,977)
Operations and maintenance	2,725,853	2,378,752	3,529,127	1,150,375
Pupil transportation services	42,815	67,230	32,620	(34,610)
Central	3,656,975	3,387,613	2,916,481	(471,132)
Other	19,526	21,046	21,172	126
Community services	10,000	306,204	12,796	(293,408)
Debt service - Principal	1,114,764	1,077,635	1,015,831	(61,804)
Interdistrict payments	76,189,621	92,153,008	89,972,920	(2,180,088)
Total expenditures	128,640,169	144,824,109	140,286,719	(4,537,390)
<b>Excess of Revenue Over (Under) Expenditures</b>	381,502	(348,111)	725,322	1,073,433
<b>Other Financing Sources (Uses)</b>				
Leases entered into	-	-	1,183,234	1,183,234
Transfers in	136,766	287,764	284,419	(3,345)
Transfers out	(518,268)	(573,215)	(529,692)	43,523
Total	(381,502)	(285,451)	937,961	1,223,412
<b>Net Change in Fund Balance</b>	-	(633,562)	1,663,283	2,296,845
<b>Fund Balance - Beginning of year</b>	4,512,076	4,512,076	4,512,076	-
<b>Fund Balance - End of year</b>	<u>\$ 4,512,076</u>	<u>\$ 3,878,514</u>	<u>\$ 6,175,359</u>	<u>\$ 2,296,845</u>

## Washtenaw Intermediate School District

### Required Supplementary Information Budgetary Comparison Schedules - Major Special Revenue Funds Cooperative Activities Fund

**Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 5,311,837	\$ 8,249,712	\$ 8,236,691	\$ (13,021)
State sources	949,942	2,054,035	2,136,601	82,566
Federal sources	100,000	250,000	204,444	(45,556)
Interdistrict sources	15,850,078	15,509,781	15,529,266	19,485
Total revenue	22,211,857	26,063,528	26,107,002	43,474
<b>Expenditures</b>				
Current:				
Instruction	8,509,840	10,205,616	10,230,061	24,445
Support services:				
Pupil	1,302,178	1,285,259	1,341,752	56,493
Instructional staff	2,274,008	2,717,644	2,733,141	15,497
General administration	-	4,000	4,197	197
School administration	725,298	751,338	797,301	45,963
Business	119,582	87,484	88,048	564
Operations and maintenance	212,154	278,874	611,804	332,930
Pupil transportation services	10,250	13,192	16,870	3,678
Central	1,387,955	1,427,135	1,375,300	(51,835)
Community services	250	2,000	2,000	-
Debt service - Principal	560,000	843,368	491,518	(351,850)
Interdistrict payments	6,282,469	7,274,933	6,923,770	(351,163)
Total expenditures	21,383,984	24,890,843	24,615,762	(275,081)
<b>Excess of Revenue Over Expenditures</b>	827,873	1,172,685	1,491,240	318,555
<b>Other Financing Uses - Transfers out</b>	(286,457)	(534,889)	(495,594)	39,295
<b>Net Change in Fund Balance</b>	541,416	637,796	995,646	357,850
<b>Fund Balance - Beginning of year</b>	21,818,387	21,818,387	21,818,387	-
<b>Fund Balance - End of year</b>	<u>\$ 22,359,803</u>	<u>\$ 22,456,183</u>	<u>\$ 22,814,033</u>	<u>\$ 357,850</u>



## Washtenaw Intermediate School District

### Required Supplementary Information

### Schedule of Washtenaw Intermediate School District's Proportionate Share of the Net Pension Liability

### Michigan Public School Employees' Retirement System

	<b>Last Nine Plan Years</b>								
	<b>Plan Years Ended September 30</b>								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.32561 %	0.32945 %	0.31258 %	0.28261 %	0.25030 %	0.23134 %	0.23036 %	0.25731 %	0.24957 %
School District's proportionate share of the net pension liability	\$122,458,537	\$ 77,999,470	\$107,374,256	\$ 93,591,162	\$ 75,245,489	\$ 59,950,967	\$ 57,472,149	\$ 62,848,969	\$ 54,972,004
School District's covered payroll	\$ 32,184,365	\$ 30,652,350	\$ 29,351,972	\$ 26,388,163	\$ 22,773,640	\$ 20,035,969	\$ 18,684,329	\$ 21,640,574	\$ 21,154,802
School District's proportionate share of the net pension liability as a percentage of its covered payroll	380.49 %	254.46 %	365.82 %	354.67 %	330.41 %	299.22 %	307.60 %	290.42 %	259.86 %
Plan fiduciary net position as a percentage of total pension liability	60.77 %	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

**Note:** The amounts presented for each fiscal year were determined as of September 30 of the preceding year. GASB Statement No. 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**Washtenaw Intermediate School District**

Required Supplementary Information

Schedule of Washtenaw Intermediate School District's Proportionate Share of the Net OPEB Liability  
Michigan Public School Employees' Retirement System

	<b>Last Six Plan Years</b>					
	<b>Plan Years Ended September 30</b>					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.32756 %	0.33504 %	0.32817 %	0.29996 %	0.26646 %	0.23194 %
School District's proportionate share of the net OPEB liability	\$ 6,937,833	\$ 5,113,952	\$ 17,580,790	\$ 21,530,055	\$ 21,180,475	\$ 20,539,211
School District's covered payroll	\$ 32,184,365	\$ 30,652,350	\$ 29,351,972	\$ 26,388,163	\$ 22,773,640	\$ 20,035,969
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.56 %	16.68 %	59.90 %	81.59 %	93.00 %	102.51 %
Plan fiduciary net position as a percentage of total OPEB liability	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

**Note:** GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## Washtenaw Intermediate School District

### Required Supplementary Information Schedule of Washtenaw Intermediate School District's Pension Contributions Michigan Public School Employees' Retirement System

	<b>Last Nine Fiscal Years Years Ended June 30</b>								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 15,801,311	\$ 11,430,411	\$ 10,196,031	\$ 8,796,319	\$ 7,561,992	\$ 6,422,824	\$ 5,410,599	\$ 5,386,534	\$ 4,334,689
Contributions in relation to the statutorily required contribution	<u>15,801,311</u>	<u>11,430,411</u>	<u>10,196,031</u>	<u>8,796,319</u>	<u>7,561,992</u>	<u>6,422,824</u>	<u>5,410,599</u>	<u>5,386,534</u>	<u>4,334,689</u>
<b>Contribution Deficiency</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>School District's Covered Payroll</b>	\$ 34,037,604	\$ 31,718,813	\$ 30,208,799	\$ 28,857,515	\$ 25,567,336	\$ 21,932,693	\$ 19,631,640	\$ 18,414,965	\$ 21,772,781
<b>Contributions as a Percentage of Covered Payroll</b>	46.42 %	36.04 %	33.75 %	30.48 %	29.58 %	29.28 %	27.56 %	29.25 %	19.91 %

**Note:** GASB Statement No. 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**Washtenaw Intermediate School District**

Required Supplementary Information  
 Schedule of Washtenaw Intermediate School District's OPEB Contributions  
 Michigan Public School Employees' Retirement System

	<b>Last Six Fiscal Years</b>					
	<b>Years Ended June 30</b>					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 2,739,755	\$ 2,584,830	\$ 2,513,901	\$ 2,318,874	\$ 2,008,321	\$ 1,584,138
Contributions in relation to the statutorily required contribution	<u>2,739,755</u>	<u>2,584,830</u>	<u>2,513,901</u>	<u>2,318,874</u>	<u>2,008,321</u>	<u>1,584,138</u>
<b>Contribution Deficiency</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>School District's Covered Payroll</b>	\$ 34,037,604	\$ 31,718,813	\$ 30,208,799	\$ 28,857,515	\$ 25,567,336	\$ 21,932,693
<b>Contributions as a Percentage of Covered Payroll</b>	8.05 %	8.15 %	8.32 %	8.04 %	7.86 %	7.22 %

**Note:** GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

### ***Pension Information***

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable. The required contributions for the year ended June 30, 2023 include a one-time contribution of \$3,314,781, referred to as 147c(2), related to funding received from the State and remitted to the System for the purpose of contributing additional assets to the System.

### **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 assumptions for each of the reported plan years ended September 30 except for the following:

- 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 the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

### ***OPEB Information***

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

### **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 assumptions for each of the reported plan years ended September 30 except for the following:

- 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 a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional \$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 the 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.

## Washtenaw Intermediate School District

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### Notes to Required Supplementary Information (Continued)

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**June 30, 2023**

- 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 the 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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## Other Supplementary Information

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# Washtenaw Intermediate School District

## Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds

**June 30, 2023**

	Special Revenue Funds		Debt Service Fund	Capital Project Funds				Total
	Food Service Fund	Student Activity Fund	2019 School Building and Site Bonds Fund	General Education Fund	Special Education Fund	2019 Bonds Capital Projects Fund	WEOC Fund	
<b>Assets</b>								
Cash and investments	\$ 126,865	\$ 179,830	\$ -	\$ 451,678	\$ 3,818,972	\$ 1,861	\$ -	\$ 4,579,206
Receivables	45,652	1,097	29,030	-	-	3,912	-	79,691
Due from other funds	-	-	11,432	18,905	-	12,401	32,000	74,738
Inventory	9,765	-	-	-	-	-	-	9,765
Prepaid costs	2,895	-	-	-	-	38,365	-	41,260
Restricted assets	-	-	3,381,632	-	-	5,599,907	-	8,981,539
<b>Total assets</b>	<b>\$ 185,177</b>	<b>\$ 180,927</b>	<b>\$ 3,422,094</b>	<b>\$ 470,583</b>	<b>\$ 3,818,972</b>	<b>\$ 5,656,446</b>	<b>\$ 32,000</b>	<b>\$ 13,766,199</b>
<b>Liabilities</b>								
Accounts payable	\$ 886	\$ -	\$ 825	\$ -	\$ 450	\$ 69,657	\$ 1,760	\$ 73,578
Due to other governmental units	8,770	-	-	-	-	-	-	8,770
Due to other funds	159,266	-	-	3,004	8,605	-	18,905	189,780
<b>Total liabilities</b>	<b>168,922</b>	<b>-</b>	<b>825</b>	<b>3,004</b>	<b>9,055</b>	<b>69,657</b>	<b>20,665</b>	<b>272,128</b>
<b>Deferred Inflows of Resources -</b>								
Unavailable revenue	-	-	24,222	-	-	-	-	24,222
<b>Total liabilities and deferred inflows of resources</b>	<b>168,922</b>	<b>-</b>	<b>25,047</b>	<b>3,004</b>	<b>9,055</b>	<b>69,657</b>	<b>20,665</b>	<b>296,350</b>
<b>Fund Balances</b>								
<b>Nonspendable:</b>								
Inventory	9,765	-	-	-	-	-	-	9,765
Prepaid costs	2,895	-	-	-	-	38,365	-	41,260
<b>Restricted:</b>								
Debt service	-	-	3,397,047	-	-	-	-	3,397,047
Capital projects	-	-	-	-	3,809,917	5,548,424	11,335	9,369,676
Food service	3,595	-	-	-	-	-	-	3,595
<b>Committed:</b>								
Capital projects	-	-	-	467,579	-	-	-	467,579
Student activities	-	180,927	-	-	-	-	-	180,927
<b>Total fund balances</b>	<b>16,255</b>	<b>180,927</b>	<b>3,397,047</b>	<b>467,579</b>	<b>3,809,917</b>	<b>5,586,789</b>	<b>11,335</b>	<b>13,469,849</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 185,177</b>	<b>\$ 180,927</b>	<b>\$ 3,422,094</b>	<b>\$ 470,583</b>	<b>\$ 3,818,972</b>	<b>\$ 5,656,446</b>	<b>\$ 32,000</b>	<b>\$ 13,766,199</b>



# Washtenaw Intermediate School District

## Other Supplementary Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

**Year Ended June 30, 2023**

	Special Revenue Funds		Debt Service Fund	Capital Project Funds				Total
	Food Service Fund	Student Activity Fund	2019 School Building and Site Bonds Fund	General Education Fund	Special Education Fund	2019 Bonds Capital Projects Fund	WEOC Fund	
<b>Revenue</b>								
Local sources	\$ 47,562	\$ 144,137	\$ 7,451,645	\$ 9,121	\$ 177,645	\$ 163,221	\$ -	\$ 7,993,331
State sources	4,544	-	42,668	-	-	-	-	47,212
Federal sources	222,038	-	-	-	-	-	-	222,038
<b>Total revenue</b>	<b>274,144</b>	<b>144,137</b>	<b>7,494,313</b>	<b>9,121</b>	<b>177,645</b>	<b>163,221</b>	<b>-</b>	<b>8,262,581</b>
<b>Expenditures</b>								
Current:								
Support services	-	123,013	297	-	20,536	10,044	5,669	159,559
Food services	303,836	-	-	-	-	-	-	303,836
Debt service	-	-	6,249,700	-	-	-	-	6,249,700
Capital outlay	-	-	-	267,009	243,825	768,874	138,046	1,417,754
<b>Total expenditures</b>	<b>303,836</b>	<b>123,013</b>	<b>6,249,997</b>	<b>267,009</b>	<b>264,361</b>	<b>778,918</b>	<b>143,715</b>	<b>8,130,849</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(29,692)</b>	<b>21,124</b>	<b>1,244,316</b>	<b>(257,888)</b>	<b>(86,716)</b>	<b>(615,697)</b>	<b>(143,715)</b>	<b>131,732</b>
<b>Other Financing Sources - Transfers in</b>	<b>29,692</b>	<b>-</b>	<b>-</b>	<b>300,912</b>	<b>500,000</b>	<b>-</b>	<b>157,000</b>	<b>987,604</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>21,124</b>	<b>1,244,316</b>	<b>43,024</b>	<b>413,284</b>	<b>(615,697)</b>	<b>13,285</b>	<b>1,119,336</b>
<b>Fund Balances - Beginning of year</b>	<b>16,255</b>	<b>159,803</b>	<b>2,152,731</b>	<b>424,555</b>	<b>3,396,633</b>	<b>6,202,486</b>	<b>(1,950)</b>	<b>12,350,513</b>
<b>Fund Balances - End of year</b>	<b>\$ 16,255</b>	<b>\$ 180,927</b>	<b>\$ 3,397,047</b>	<b>\$ 467,579</b>	<b>\$ 3,809,917</b>	<b>\$ 5,586,789</b>	<b>\$ 11,335</b>	<b>\$ 13,469,849</b>

## Washtenaw Intermediate School District

### Other Supplementary Information Schedule of Bonded Indebtedness

**June 30, 2023**

Year Ended June 30	2019 School Building and Site Bonds
	Principal
2024	\$ 4,725,000
2025	5,105,000
2026	5,525,000
2027	5,905,000
2028	6,200,000
2029	6,505,000
Total remaining payments	<b>\$ 33,965,000</b>
Interest rate	5.0%
Original issue	<b>\$ 44,570,000</b>

Principal payments for the bond issues are due on May 1 of each year.

Interest payments for the bond issues are due on May 1 and November 1 of each year.