



Year Ended
June 30, 2020

Financial
Statements and
Single Audit Act
Compliance

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JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County Intermediate School District as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund, special education fund and the career technical education fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 84

As described in Note 15, the District implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. Accordingly, beginning fund balance of the student/school activity special revenue fund, memorials/scholarships special revenue fund and governmental activities were restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

Jackson County Intermediate School District (the "District"), is one of Michigan's 56 intermediate school districts, created by the state legislature in 1962 to provide regional services to local schools. The District provides direct or indirect services to the approximately 24,000 students in Jackson County from all 12 public school districts, 3 local charter schools and various parochial schools in the county. These include special education services, professional development and curriculum support for teachers and administrative staff throughout the county, career and technical education through the Jackson Area Career Center, technology services, pupil accounting and other student information services, business functions, and many more.

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. The management's discussion and analysis is provided at the beginning of the audit to provide an overview of the past and current position of the District's financial condition. This summary should not be taken as a replacement for the complete set of audited financial statements and other supplemental information that presents in greater detail the District's revenues and expenditures by program and fund.

Financial Highlights

· Total net position	\$ (73,978,457)
· Change in total net position	(5,019,728)
· Fund balances, governmental funds	26,301,277
· Change in fund balances, governmental funds	3,135,444
· Unassigned fund balance, general fund	3,075,153
· Change in fund balance, general fund	55,131
· Change in installment debt	(620,000)

Overview of the Financial Statements

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They provide a clear picture of the District as a single, unified entity, and complement rather than replace traditional fund-based financial statements.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual balance reported as net position. Net position should be understood as a measure of "net worth" rather than as a measure of expendable, available resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, supporting services and community services. The District had no business-type activities during the year.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds as opposed to the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as local taxes or federal grants). The District has two kinds of funds:

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

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

The District maintains four major operating governmental funds - the General Fund, the Special Education Fund, the Career Technical Education Fund and the Recurring Projects Fund. Information for these is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The District adopts annual appropriated budgets for the General Fund and special revenue funds. A budgetary comparison statement has been provided for the General Fund and major special revenue funds to demonstrate compliance with their budgets.

Proprietary Fund. In the internal service fund, the District charges fees to help it cover the costs of certain technology services it provides.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the above required supplementary information.

The District's audit firm has provided assurance in its independent auditors' report, located immediately preceding this management's discussion and analysis, that the basic financial statements are fairly stated. The other information identified above has varying degrees of assurance as provided by the audit firm. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the other parts in these sections.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$73,978,457 at the close of the most recent fiscal year.

	Net Position	
	Governmental Activities	
	2020	2019
Current and other assets	\$ 37,393,745	\$ 34,178,305
Capital assets, net	14,825,593	14,722,840
Total assets	52,219,338	48,901,145
Deferred outflows of resources	45,862,248	43,027,500
Long-term debt	278,690	817,464
Current and other liabilities	157,129,708	145,556,614
Total liabilities	157,408,398	146,374,078
Deferred inflows of resources	14,651,645	14,537,075
Net position:		
Net investment in capital assets	14,825,593	14,102,840
Restricted	21,451,873	18,346,194
Unrestricted (deficit)	(110,255,923)	(101,431,542)
Total net position	\$(73,978,457)	\$ (68,982,508)

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in fiscal year 2018. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPERS net pension liability and net other postemployment benefit liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of \$73,978,457. Of this amount, \$(110,255,923) is unrestricted net position (deficit) and \$21,451,873 represents resources that are subject to external restrictions on how they may be used. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

The results of this year's operations for the District as a whole are reported in the statement of activities. The following table takes the information from that statement and rearranges them slightly to show the change in net position for the year which was a decrease of \$5,019,728. In the following table the reader can also easily see the District's total revenues for the year by major source as well as the total expenses for the year by major function.

	Changes in Net Position	
	Governmental Activities	
	2020	2019
Revenues		
Program revenues:		
Charges for services	\$ 150,531	\$ 270,982
Operating grants and contributions	37,265,114	34,231,610
General revenues:		
Property taxes	41,097,415	39,473,801
Unrestricted state aid	2,338,276	2,225,378
Other general revenue	5,117,644	5,052,449
Total revenues	<u>85,968,980</u>	<u>81,254,220</u>
Expenses		
Instruction	23,718,914	21,408,977
Supporting services	48,232,229	43,505,603
Community services	1,002,017	1,079,696
Payments to other governments	16,605,130	15,948,645
Interest on long-term debt	16,413	34,963
Unallocated depreciation	1,414,005	1,494,387
Total expenses	<u>90,988,708</u>	<u>83,472,271</u>
Change in net position	(5,019,728)	(2,218,051)
Net position:		
Beginning of year	(68,982,508)	(66,764,457)
Restatement for implementation of GASB 84	23,779	-
End of year	<u><u>\$(73,978,457)</u></u>	<u><u>\$(68,982,508)</u></u>

The commitment of the Board of Education and the District's management is to provide effective programs for all students in Jackson County in the most cost efficient manner possible. The District's expenses are predominantly related to instructing (26%), providing services for pupils (53%) and direct payments to local school districts and education providers (18%). Instructional costs relate specifically to providing career and technical education to students of local school districts and to providing special education instruction to other students of local districts. The higher ratio of support services is consistent with the purpose of intermediate school districts, which is to provide support programs to all local school districts in the County in order to more efficiently and effectively educate every student.

Analysis of the District's Budget and Operating Results

As previously mentioned, the District has four main operating funds - the General Fund, the Special Education Fund, the Career Technical Education Fund and the Recurring Projects Fund. The budgets for General Fund, the Special Education Fund, and the Career Technical Education Fund are prepared according to Michigan law.

During the fiscal year ended June 30, 2020, the District amended the budgets of the General, Special Education and Career Technical Education Funds twice to reflect changes in both revenues and expenditures from the assumptions that were made when the budget was originally developed. A brief review of each fund's performance is provided below.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

General Fund. As summarized below, during the 2020 fiscal year the General Fund had total revenues and transfers in of \$18,861,660 and total expenditures and transfers out of \$18,806,529. As a result, the fund balance at year-end increased by \$55,131 to a total of \$4,850,991.

Summary of General Fund Performance			
For the Year Ended June 30, 2020			
	Original Budget	Final Budget	Actual Results
Total revenues and transfers in	\$ 18,362,441	\$ 17,506,923	\$ 18,861,660
Total expenditures and transfers out	(18,842,441)	(18,431,923)	(18,806,529)
Net change in fund balance	(480,000)	(925,000)	55,131
Fund balance -			
Beginning of year	4,795,860	4,795,860	4,795,860
End of year	\$ 4,315,860	\$ 3,870,860	\$ 4,850,991

The final budget amendment was adopted a few months after the coronavirus pandemic hit at a time when significant shortfalls in state revenue were projected. Therefore reductions in both revenues and expenditures were included in the final budget. Due in large part to federal stimulus funding, actual state results were better than had been projected. This resulted in the district's actual General Fund revenues and transfers coming in higher than both the original and final amended budgets. The General Fund actual expenditures and transfers out were lower than the original budget but higher than the final amended budget. Grant related spending and the timing of revenue and expenditure recognition associated with grants accounted for some of the variance, and the remainder of the variance was due to cost cutting measures put in place by the District at the start of the pandemic. The net result realized was a small increase in the ending fund balance for the General Fund which at the end of the year was above the target range established by the Board of Education for the General Fund, excluding the amount assigned for use by the Tech Consortium. The target range for the General Fund ending fund balance is 15-20%.

Special Education Fund. As summarized below, during the 2020 fiscal year the Special Education Fund had total revenues and transfers in of \$57,291,665 and total expenditures and transfers out of \$56,811,107. As a result the fund balance at year-end increased by \$480,558 to a total of \$3,684,238.

Summary of Special Ed Fund Performance			
For the Year Ended June 30, 2020			
	Original Budget	Final Budget	Actual Results
Total revenues and transfers in	\$ 53,714,700	\$ 56,028,016	\$ 57,291,665
Total expenditures and transfers out	(55,110,700)	(56,583,016)	(56,811,107)
Net change in fund balance	(1,396,000)	(555,000)	480,558
Fund balance -			
Beginning of year	3,203,680	3,203,680	3,203,680
End of year	\$ 1,807,680	\$ 2,648,680	\$ 3,684,238

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

The Special Education Fund actual revenues and transfers in were higher than the final amended budget because, similar to General Fund, the state revenue situation ended up better than initially projected early in the pandemic. The Special Education Fund actual expenditures and transfers out were just slightly higher than the final amended budget. The net result for the Special Education Fund was an increase in the ending fund balance compared to the prior year and a significant improvement in fund balance compared to the final budget amendment. The ending fund balance for the Special Education Fund is above the target range established by the Board of Education. The target range for the Special Education Fund ending fund balance is 4-6%.

Career Technical Education Fund. As summarized below, during the 2020 fiscal year the Career Technical Education Fund had total revenues and transfers in of \$13,096,762 and total expenditures and transfers out of \$12,955,076. As a result the fund balance at year-end increased by \$141,686 to a total of \$3,355,064.

Summary of Career Technical Education Fund Performance			
For the Year Ended June 30, 2020			
	Original Budget	Final Budget	Actual Results
Total revenues and transfers in	\$ 12,973,078	\$ 12,808,935	\$ 13,096,762
Total expenditures and transfers out	(12,950,078)	(12,993,935)	(12,955,076)
Net change in fund balance	23,000	(185,000)	141,686
Fund balance -			
Beginning of year	3,213,378	3,213,378	3,213,378
End of year	\$ 3,236,378	\$ 3,028,378	\$ 3,355,064

Similar to the other funds, the Career & Technical Education Fund actual revenues and transfers in were higher than the final amended budget due to the state's situation improving compared to early pandemic projections. The Career & Technical Education Fund actual expenditures and transfers out were slightly less than the final amended budget as a result of cost cutting measures put in place. The net result was a small surplus for the year in the Career & Technical Education Fund as opposed to a small deficit for the year that had been projected in the final amended budget. The resultant ending fund balance is therefore improved compared to the previous year and is at the top end of the target range established by the Board of Education for the Career & Technical Education Fund. The target range for the Career & Technical Education Fund ending fund balance is 20-25%.

Recurring Projects Fund. During the 2020 fiscal year the Recurring Projects Fund had no revenues, but had transfers in of \$3,500,000. Total expenditures out of the Recurring Projects Fund for the 2020 fiscal year were \$655,094. As a result the fund balance at year-end increased by \$2,844,906 to a total of 12,668,465, all of which is restricted for capital projects. The purpose of this Fund is to provide the capital necessary for facility renovations and improvements, as well as to purchase major pieces of new equipment whether facility or program related. The District is currently updating its Special Ed Facility Plan to meet anticipated programming requirements over the next 5-10 years, and it is expected that a very major facility project will result from this Facility Plan update.

Capital Assets and Debt Administration

Capital Assets. At the end of the 2019-20 fiscal year, the District had \$38,842,668 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and transportation equipment, an increase of \$718,311 from the previous year. During 2019-20, there was depreciation of \$1,414,005 resulting in total accumulated depreciation as of June 30, 2020, of \$24,017,075. This yields a net book value of the District's capital assets of \$14,825,593 at June 30, 2020, an increase of \$102,753 over the previous year.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

Since most of the District's facilities were originally built 30-40 years ago, they require continued investment to keep them well maintained. The District's capital asset plan is to protect the District's assets from deterioration and to continue to provide an excellent learning environment through the constant and vigilant care of the District's maintenance and custodial staffs. In order to ensure this continues into the future, the District utilizes its recurring projects fund to provide the necessary funding for facility maintenance and improvement projects that would otherwise not be possible relying only upon annual operating budgets without taking on additional debt. Examples of such projects could include chillers, boilers, energy management systems, roofs, parking lots, class room / meeting room / office space renovation, and other similar building updates.

At June 30, 2020, the District had the following anticipated costs of completion:

- Jackson Area Career Center Agriscience - Watering Station - \$110,000
- Tarrant Pool Project - \$566,000

Long-term Debt. The District had no long-term bonds outstanding at year end, as they were paid off during the 2019-2020 year.

Factors Bearing on the District's Future

The biggest factor impacting the district's near term future is the coronavirus pandemic and the economic impact that it has caused. All educational institutions are faced with the challenges that come in the trade-off between in person learning and remote learning. These include health & safety concerns for students and staff, cost factors related to health & safety as well as from being prepared to deliver instruction both in person and online, and inefficiencies caused by the unknown. Additionally, the economic impact of the pandemic has threatened several of the district's funding sources at the local, state and federal level, although so far the actual impact on funding has been less than many initial projections of this impact. In addition to the pandemic, some of the more normal challenges the JCISD may face in the future include, but are not limited to, the following:

- **Service Role of ISD's:** For many years the Jackson County ISD has viewed its primary purpose as servicing the local school districts in the communities of Jackson County. A primary area of focus for the JCISD, and most other ISD's in Michigan, has been and continues to be Special Education services. Over recent years however, the types of service the JCISD provides have expanded significantly to now include support in many non-instructional areas such as technology, finance, student data reporting, and other operational areas. Educational related programs in which intermediate school districts seem to be growing include early childhood programming, reading proficiency, vocational training and career readiness. There is growing awareness of the need for education, business and community to come together to ensure that young people are prepared to make the transition from student to work force, and the JCISD is taking a leadership role in such initiatives within the Jackson community. Several new programs have recently started which involve a partnership among K-12 education, higher education, business and the broader community. The JCISD has been a key player in most of these initiatives, and more exciting opportunities are on the horizon.
- **Local Property Tax Revenue:** The real estate market of Jackson County has improved for several years now following the 2008-09 recessionary period and property values have increased. This has helped restore the district's local property tax revenue although, unfortunately for schools, the Head lee Amendment caps the increase in property values to the level of overall inflation which remains low. For the 2020 tax year the district was also hit by a Head lee Rollback which permanently reduced the overall millage level the district is authorized to levy. The district also continues to be impacted by property tax refunds it is required to make as a result of Michigan Tax Tribunal (MTT) decisions reducing the value of both residential and commercial properties. The number of these cases has declined quite a bit in the past couple years, however there are still some higher dollar value appeals from "big box" stores and racing facilities going back a second or third time. Going forward it may become important to see if commercial real estate values hold, or if there are business failures resulting from the pandemic and its economic fallout, will this begin to impact commercial real estate values.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

- **Politics and Elections:** The political climate at both the state and federal level has become extremely partisan. The partisan haggling and lack of cooperative problem solving can have a negative effect on schools -- think 2020 budget process for the State of Michigan. Until there is more bipartisan cooperation and less haggling about these issues, it will be harder for K-12 schools to plan for the future and to make major improvements in achieving better success rates for all students. Whether this situation gets better, worse, or stays about the same following the November 2020 election remains to be seen.

Labor Relations: The JCISD has had a good working relationship in the past with all of its union partners and employees, and the District expects this labor stability and good working relationship to continue into the future. The District and its employee represented groups worked well together in the spring and summer of 2020 dealing with the challenges presented by the pandemic. Not everyone agreed with everything, but discussions were always productive and professional. Two of the district's contracts with employee represented groups are set to expire on December 31, 2020. The District anticipates these contracts will be settled amicably before the contracts expire as has happened in the recent past, but that negotiating still has to happen at the bargaining table. Also, each year the District typically makes minor updates to its handbook covering the District's administration employees who are not represented by any group. This is noted for the readers' information only and not to point out any expected issue or concern.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Kevin Oxley, Superintendent, or Mr. Roger Auwers, Director of Finance and Operations, at (517) 768-5200.

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BASIC FINANCIAL STATEMENTS

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 28,628,392
Investments	854,806
Receivables	6,719,037
Prepaid items and other assets	1,191,510
Capital assets not being depreciated	313,413
Capital assets being depreciated, net	<u>14,512,180</u>
Total assets	<u>52,219,338</u>
Deferred outflows of resources	
Deferred pension amounts	36,651,274
Deferred other postemployment benefit amounts	<u>9,210,974</u>
Total deferred outflows of resources	<u>45,862,248</u>
Liabilities	
Accounts payable and accrued liabilities	7,891,671
Unearned revenue	2,814,203
Long-term debt -	
Compensated absences (due within one year)	278,690
Net pension liability (due in more than one year)	120,031,347
Net other postemployment benefit liability (due in more than one year)	<u>26,392,487</u>
Total liabilities	<u>157,408,398</u>
Deferred inflows of resources	
Deferred pension amounts	4,476,752
Deferred other postemployment benefit amounts	<u>10,174,893</u>
Total deferred inflows of resources	<u>14,651,645</u>
Net position	
Net investment in capital assets	14,825,593
Restricted for:	
Special education	3,684,238
Career technical education	3,362,104
Training assistance	804,120
Scholarships/memorials	17,802
Capital projects	13,583,609
Unrestricted (deficit)	<u>(110,255,923)</u>
Total net position	<u>\$ (73,978,457)</u>

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2020

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 23,718,914	\$ -	\$ 22,119,846	\$ (1,599,068)
Supporting services	48,232,229	150,531	15,145,268	(32,936,430)
Community services	1,002,017	-	-	(1,002,017)
Payments to other governments	16,605,130	-	-	(16,605,130)
Interest on long-term debt	16,413	-	-	(16,413)
Unallocated depreciation	1,414,005	-	-	(1,414,005)
Total governmental activities	<u>\$ 90,988,708</u>	<u>\$ 150,531</u>	<u>\$ 37,265,114</u>	<u>(53,573,063)</u>
General revenues				
Property taxes				41,097,415
Unrestricted state aid				2,338,276
Grants and contributions not restricted to specific programs				4,871,050
Unrestricted earnings on investment and deposits				<u>246,594</u>
Total general revenues				<u>48,553,335</u>
Change in net position				(5,019,728)
Net position, beginning of year, as restated				<u>(68,958,729)</u>
Net position, end of year				<u>\$ (73,978,457)</u>

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Balance Sheet

Governmental Funds
June 30, 2020

	General	Special Education	Career Technical Education
Assets			
Cash and cash equivalents	\$ 9,948,211	\$ 10,381,454	\$ 5,875,059
Investments	-	5,938	848,868
Due from other governments	1,795,674	4,368,826	464,631
Due from other funds	-	-	-
Prepaid items	819,264	300	-
Land held for resale	-	-	338,880
Total assets	\$ 12,563,149	\$ 14,756,518	\$ 7,527,438
Liabilities			
Accounts payable	\$ 609,646	\$ 176,268	\$ 132,258
Salaries payable	101,657	2,944,984	624,671
Accrued liabilities	50,413	1,682,672	331,775
Due to other governments	200,736	745,765	159,483
Due to other funds	4,460,300	5,361,797	2,917,037
Unearned revenue	2,283,299	160,794	110
Total liabilities	7,706,051	11,072,280	4,165,334
Deferred inflows of resources			
Unavailable receivables	6,107	-	7,040
Fund balances			
Nonspendable -			
Prepaid items	819,264	300	-
Restricted for:			
Special education	-	3,683,938	-
Career technical education	-	-	3,355,064
Training assistance	-	-	-
Scholarships	-	-	-
Capital projects:			
Projects	-	-	-
Technology	-	-	-
Committed -			
Student/school activities	-	-	-
Assigned:			
Technical consortium	912,500	-	-
Challenge day	44,074	-	-
Unassigned	3,075,153	-	-
Total fund balances	4,850,991	3,684,238	3,355,064
Total liabilities, deferred inflows of resources and fund balances	\$ 12,563,149	\$ 14,756,518	\$ 7,527,438

The accompanying notes are an integral part of these financial statements.



Recurring Projects	Nonmajor Governmental Funds	Totals
\$ -	\$ 2,105,657	\$ 28,310,381
-	-	854,806
-	12,092	6,641,223
12,739,134	-	12,739,134
-	-	819,564
-	-	338,880
<u>\$ 12,739,134</u>	<u>\$ 2,117,749</u>	<u>\$ 49,703,988</u>

\$ 70,669	\$ 5,110	\$ 993,951
-	-	3,671,312
-	-	2,064,860
-	-	1,105,984
-	-	12,739,134
-	370,000	2,814,203
<u>70,669</u>	<u>375,110</u>	<u>23,389,444</u>

<u>-</u>	<u>120</u>	<u>13,267</u>
----------	------------	---------------

-	-	819,564
-	-	3,683,938
-	-	3,355,064
-	804,000	804,000
-	17,802	17,802
12,668,465	-	12,668,465
-	915,144	915,144
-	5,573	5,573
-	-	912,500
-	-	44,074
-	-	3,075,153
<u>12,668,465</u>	<u>1,742,519</u>	<u>26,301,277</u>
<u>\$ 12,739,134</u>	<u>\$ 2,117,749</u>	<u>\$ 49,703,988</u>

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JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2020

Fund balances - total governmental funds	\$ 26,301,277
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	313,413
Capital assets being depreciated, net	14,512,180
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred inflows in the governmental funds and not in fund balance.	
Unavailable receivables	13,267
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	
Net position of governmental activities accounted for in internal service funds	428,891
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(278,690)
Claims payable	(55,564)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, the net other postemployment benefit liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(120,031,347)
Deferred outflows related to the net pension liability	36,651,274
Deferred inflows related to the net pension liability	(4,476,752)
Net other postemployment benefit liability	(26,392,487)
Deferred outflows related to the net other postemployment benefit liability	9,210,974
Deferred inflows related to the net other postemployment benefit liability	(10,174,893)
Net position of governmental activities	<u><u>\$ (73,978,457)</u></u>

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2020

	General	Special Education	Career Technical Education
Revenues			
Local sources	\$ 6,141,610	\$ 32,564,969	\$ 10,513,986
State sources	8,621,529	17,897,229	2,228,751
Federal sources	546,699	6,663,053	297,759
Total revenues	15,309,838	57,125,251	13,040,496
Expenditures			
Current:			
Instruction	97,443	14,246,160	6,435,898
Supporting services	12,977,206	26,963,028	3,035,796
Community services	352,423	336,060	232,653
Student/school activity	-	-	-
Payments to other governments	4,806,777	11,499,446	298,907
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay -			
Technology capital improvements	-	-	-
Total expenditures	18,233,849	53,044,694	10,003,254
Revenues over (under) expenditures	(2,924,011)	4,080,557	3,037,242
Other financing sources (uses)			
Transfers in	3,551,822	166,414	56,266
Transfers out	(572,680)	(3,766,413)	(2,951,822)
Total other financing sources (uses)	2,979,142	(3,599,999)	(2,895,556)
Net change in fund balances	55,131	480,558	141,686
Fund balances, beginning of year, as restated	4,795,860	3,203,680	3,213,378
Fund balances, end of year	\$ 4,850,991	\$ 3,684,238	\$ 3,355,064

The accompanying notes are an integral part of these financial statements.



Recurring Projects	Nonmajor Governmental Funds	Totals
\$ -	\$ 444,591	\$ 49,665,156
-	103,703	28,851,212
-	-	7,507,511
-	548,294	86,023,879
-	-	20,779,501
655,094	46,738	43,677,862
-	-	921,136
-	10,017	10,017
-	-	16,605,130
-	620,000	620,000
-	16,413	16,413
-	258,376	258,376
655,094	951,544	82,888,435
(655,094)	(403,250)	3,135,444
3,500,000	16,413	7,290,915
-	-	(7,290,915)
3,500,000	16,413	-
2,844,906	(386,837)	3,135,444
9,823,559	2,129,356	23,165,833
\$ 12,668,465	\$ 1,742,519	\$ 26,301,277

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JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds	\$ 3,135,444
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital assets purchased/constructed	1,516,758
Depreciation expense	(1,414,005)
The receipt of a long-term receivable represents revenue in the fund financial statements, but is reported as a reduction of the receivable in the statement of activities.	
Change in deferred inflows for unavailable receivables	(56,495)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	
Principal payments on long-term debt	620,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in the net pension liability and related deferred amounts	(10,488,485)
Change in the net other postemployment benefit liability and related deferred amounts	1,735,251
Change in the accrual for compensated absences	(81,226)
Change in the accrual for claims payable	(55,564)
Internal service funds are used by management to charge the costs of certain activities, as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	
Net income from governmental activities accounted for in internal service funds	<u>68,594</u>
Change in net position of governmental activities	<u>\$ (5,019,728)</u>

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2020

With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020				2019 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Revenues					
Local sources:					
Property tax levy	\$ 1,575,000	\$ 1,604,000	\$ 1,605,853	\$ 1,853	\$ 1,545,539
Earnings on investments and deposits	80,000	76,000	77,746	1,746	90,861
Rentals	16,020	13,645	12,385	(1,260)	16,245
Other	4,159,626	4,478,880	4,445,626	(33,254)	4,108,562
Total local sources	5,830,646	6,172,525	6,141,610	(30,915)	5,761,207
State sources:					
State school aid - unrestricted	2,097,500	991,824	2,116,847	1,125,023	2,097,548
State school aid - restricted	6,277,295	6,063,955	6,352,133	288,178	5,850,304
Other	117,000	181,778	152,549	(29,229)	148,519
Total state sources	8,491,795	7,237,557	8,621,529	1,383,972	8,096,371
Federal sources:					
Title I	300,000	441,852	276,578	(165,274)	198,427
Other	190,000	104,989	270,121	165,132	619,061
Total federal sources	490,000	546,841	546,699	(142)	817,488
Total revenues	14,812,441	13,956,923	15,309,838	1,352,915	14,675,066
Expenditures					
Current:					
Instruction -					
Instructional basic	185,500	106,338	97,443	(8,895)	70,364
Supporting services:					
Pupil support	534,073	716,911	770,724	53,813	432,150
Instructional support	3,107,733	3,106,065	3,062,028	(44,037)	2,800,928
General administration	522,212	482,197	484,259	2,062	486,366
Business services	2,145,882	2,136,030	2,122,517	(13,513)	1,881,551
Operations and maintenance	649,676	564,075	518,833	(45,242)	530,930
Central services	6,500,417	6,279,121	6,018,845	(260,276)	6,004,577
Total supporting services	13,459,993	13,284,399	12,977,206	(307,193)	12,136,502
Community services	182,985	375,057	352,423	(22,634)	426,614
Payments to other governments	5,013,963	4,594,324	4,806,777	212,453	4,793,666
Total expenditures	18,842,441	18,360,118	18,233,849	(126,269)	17,427,146
Revenues over (under) expenditures	(4,030,000)	(4,403,195)	(2,924,011)	1,479,184	(2,752,080)

continued...

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2020

With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020			Over (under) Final Budget	2019 Actual
	Original Budget	Final Budget	Actual		
Other financing sources (uses)					
Transfers in	\$ 3,550,000	\$ 3,550,000	\$ 3,551,822	\$ 1,822	\$ 3,550,000
Transfers out	-	(71,805)	(572,680)	500,875	(317,867)
Total other financing sources	<u>3,550,000</u>	<u>3,478,195</u>	<u>2,979,142</u>	<u>502,697</u>	<u>3,232,133</u>
Net change in fund balance	(480,000)	(925,000)	55,131	980,131	480,053
Fund balance, beginning of year	<u>4,795,860</u>	<u>4,795,860</u>	<u>4,795,860</u>	-	<u>4,315,807</u>
Fund balance, end of year	<u>\$ 4,315,860</u>	<u>\$ 3,870,860</u>	<u>\$ 4,850,991</u>	<u>\$ 980,131</u>	<u>\$ 4,795,860</u>

concluded.

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Special Education Special Revenue Fund

For the Year Ended June 30, 2020

With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020				2019 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Revenues					
Local sources:					
Property taxes	\$ 29,035,000	\$ 29,380,950	\$ 29,453,465	\$ 72,515	\$ 28,287,955
Earnings on investments and deposits	110,000	115,000	114,651	(349)	134,118
Contributions	11,000	22,666	22,667	1	9,088
Medicaid fee for service	2,500,000	2,909,000	2,948,407	39,407	2,930,719
Other	51,500	25,593	25,779	186	47,146
Total local sources	31,707,500	32,453,209	32,564,969	111,760	31,409,026
State sources:					
State school aid - unrestricted	102,000	206,673	207,093	420	106,861
State school aid - restricted	14,233,200	16,645,926	16,667,907	21,981	14,311,630
Other	925,000	(75,751)	1,022,229	1,097,980	918,341
Total state sources	15,260,200	16,776,848	17,897,229	1,120,381	15,336,832
Federal sources:					
IDEA flowthrough	5,990,000	5,946,062	5,976,325	30,263	5,924,279
Preschool incentive	230,000	251,540	243,866	(7,674)	225,654
Infant and toddler early intervention	180,000	192,020	177,577	(14,443)	178,975
State initiated	197,000	241,923	265,285	23,362	204,128
Total federal sources	6,597,000	6,631,545	6,663,053	31,508	6,533,036
Total revenues	53,564,700	55,861,602	57,125,251	1,263,649	53,278,894
Expenditures					
Current:					
Instruction -					
Added needs - special education	14,247,383	14,403,217	14,246,160	(157,057)	13,255,994
Supporting services:					
Pupil support	17,657,075	18,079,466	17,868,439	(211,027)	16,864,179
Instructional support	2,124,520	2,018,551	2,005,112	(13,439)	1,836,962
General administration	1,199,532	1,206,261	1,176,071	(30,190)	1,100,635
School administration	384,752	402,592	398,007	(4,585)	368,144
Business services	225,400	274,295	253,754	(20,541)	105,180
Operations and maintenance	1,087,224	1,147,965	1,139,641	(8,324)	1,161,496
Transportation	4,228,140	4,045,056	3,916,427	(128,629)	4,272,489
Central services	243,637	237,963	205,577	(32,386)	263,996
Total supporting services	27,150,280	27,412,149	26,963,028	(449,121)	25,973,081
Community services	340,289	335,814	336,060	246	334,249
Payments to other governments	11,556,461	11,573,370	11,499,446	(73,924)	10,851,474
Total expenditures	53,294,413	53,724,550	53,044,694	(679,856)	50,414,798
Revenues over expenditures	270,287	2,137,052	4,080,557	1,943,505	2,864,096

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JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Special Education Special Revenue Fund

For the Year Ended June 30, 2020

With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020				2019 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Other financing sources (uses)					
Transfers in	\$ 150,000	\$ 166,414	\$ 166,414	\$ -	\$ 150,270
Transfers out	(1,816,287)	(2,858,466)	(3,766,413)	907,947	(3,629,963)
Total other financing uses	(1,666,287)	(2,692,052)	(3,599,999)	907,947	(3,479,693)
Net change in fund balance	(1,396,000)	(555,000)	480,558	1,035,558	(615,597)
Fund balance, beginning of year	3,203,680	3,203,680	3,203,680	-	3,819,277
Fund balance, end of year	\$ 1,807,680	\$ 2,648,680	\$ 3,684,238	\$ 1,035,558	\$ 3,203,680

concluded.

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Career Technical Education Special Revenue Fund

For the Year Ended June 30, 2020

With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020				2019 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Revenues					
Local sources:					
Property taxes	\$ 9,900,000	\$ 10,031,569	\$ 10,038,097	\$ 6,528	\$ 9,640,307
Tuition	215,000	149,788	150,531	743	270,982
Earnings on investments and deposits	38,000	38,000	46,442	8,442	55,480
Other	259,500	262,513	278,916	16,403	306,373
Total local sources	10,412,500	10,481,870	10,513,986	32,116	10,273,142
State sources:					
State school aid - unrestricted	20,000	(235,808)	14,336	250,144	20,969
State school aid - restricted	1,899,250	1,921,204	1,926,771	5,567	1,947,126
Other	290,000	287,644	287,644	-	288,823
Total state sources	2,209,250	1,973,040	2,228,751	255,711	2,256,918
Federal sources -					
Perkins	300,000	297,759	297,759	-	301,103
Total revenues	12,921,750	12,752,669	13,040,496	287,827	12,831,163
Expenditures					
Current:					
Instruction -					
Basic programs - vocational education	6,954,633	6,465,914	6,435,898	(30,016)	6,471,603
Supporting services:					
Pupil support	1,010,639	916,537	886,655	(29,882)	966,108
Instructional support	195,945	158,447	159,829	1,382	161,414
School administration	694,680	691,200	705,293	14,093	680,788
Business services	77,700	35,405	35,798	393	40,166
Operations and maintenance	1,006,759	890,517	866,779	(23,738)	923,529
Transportation	55,196	31,743	33,655	1,912	42,837
Central services	383,615	273,990	347,787	73,797	349,440
Total supporting services	3,424,534	2,997,839	3,035,796	37,957	3,164,282
Community services	277,911	232,214	232,653	439	268,160
Payments to other governments	313,000	314,340	298,907	(15,433)	303,505
Total expenditures	10,970,078	10,010,307	10,003,254	(7,053)	10,207,550
Revenues over expenditures	1,951,672	2,742,362	3,037,242	294,880	2,623,613

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JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Career Technical Education Special Revenue Fund

For the Year Ended June 30, 2020

With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020				2019 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Other financing sources (uses)					
Transfers in	\$ 51,328	\$ 56,266	\$ 56,266	\$ -	\$ 67,597
Transfers out	(1,980,000)	(2,983,628)	(2,951,822)	(31,806)	(2,300,000)
Total other financing uses	(1,928,672)	(2,927,362)	(2,895,556)	(31,806)	(2,232,403)
Net change in fund balance	23,000	(185,000)	141,686	326,686	391,210
Fund balance, beginning of year	3,213,378	3,213,378	3,213,378	-	2,822,168
Fund balance, end of year	\$ 3,236,378	\$ 3,028,378	\$ 3,355,064	\$ 326,686	\$ 3,213,378

concluded.

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2020

	Governmental Activities	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 318,011	
Due from other governments	77,814	
Prepaid items	<u>33,066</u>	
Total assets	<u>428,891</u>	
Net position		
Unrestricted	\$ <u><u>428,891</u></u>	

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds
For the Year Ended June 30, 2020

	Governmental Activities
	Internal Service Fund
Operating revenues	
Charges for services	\$ 117,396
Operating expenses	
Supporting services	<u>50,398</u>
Operating income	66,998
Nonoperating revenue	
Interest revenue	<u>1,596</u>
Net income	68,594
Net position, beginning of year	<u>360,297</u>
Net position, end of year	<u><u>\$ 428,891</u></u>

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2020

	Governmental Activities
	Internal Service Fund
Cash flows from operating activities	
Cash received from customers	\$ 156,777
Cash payments for goods and services	(83,464)
	<hr/>
Net cash provided by operating activities	73,313
 Cash flows from investing activities	
Interest received	1,596
	<hr/>
Net change in cash and cash equivalents	74,909
 Cash and cash equivalents, beginning of year	<hr/> 243,102
 Cash and cash equivalents, end of year	<hr/> <u>\$ 318,011</u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 66,998
Adjustments to reconcile operating income to net cash provided by operating activities	
Change in:	
Due from other governments	39,381
Prepays	(33,066)
	<hr/>
Net cash provided by operating activities	<hr/> <u>\$ 73,313</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Jackson County Intermediate School District (the "District") has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *special education special revenue fund* accounts for special education initiatives carried out by the District, which are primarily financed through restricted state aid and property taxes.

The *career technical education special revenue fund* accounts for vocational education initiatives carried out by the District, which are primarily financed through restricted state aid and property taxes.

The *recurring projects capital project fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditure for improvements and projects funded by the general fund, special education fund, and career technical education fund.

Additionally, the District reports the following fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *internal service fund* is used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The District participates in an external investment pool. The District's shares of this investment are recorded at amortized cost, which approximates fair value. Other investments of the District are reported at fair value.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non current portion of interfund loans).

Prepays

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

Assets Held for Resale

Assets held for resale consists of \$338,880 in the Career Technical Education Fund and is valued at the lower of cost or net realizable value.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years, or computer equipment with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

	Years
Land improvements	5-40
Buildings and improvements	50
Furniture and equipment	5-20
Transportation equipment	5-10

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Compensated Absences

Vacation and Sick Pay - Vacation days are earned by most year-round employees at rates specified under contractual provisions. Retiring/terminated employees are paid for unused accumulated vacation days. The District's sick pay and personal leave policies allow for accumulation of up to a certain number of days depending on the employee group involved. Upon termination of employment, all accumulated sick and personal days are forfeited. It is the District's policy to recognize the cost of such leave at the time payments are made.

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated vacation days. The liability has been calculated for employees who currently are eligible to receive termination payments. The amount reported is salary related and includes no fringe benefits.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under the modified accrual basis of accounting, from receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. These amounts are not deferred in the government-wide financial statements, which are reflected on the accrual basis of accounting. The District also reports deferred inflows of resources related to pension and other postemployment benefit liabilities.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Superintendent or his/her designee. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Pensions and Other Postemployment Benefits

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

2. BUDGETARY INFORMATION

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. All annual appropriations lapse at fiscal year end. The budgets for the general and special revenue funds are adopted on a functional basis.

The Board of Education has adopted a fund balance policy to maintain fund balance for certain funds in ranges as follows: general fund (15-20%), special education special revenue fund (4-6%), and career technical education fund (20-25%). If the fund balance is less than or greater than the targeted amount, an explanation addressing the conditions that exist and steps to be taken to move toward the target range must be provided to the Board.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Budget to actual comparisons for the general fund and each major special revenue fund are presented in the fund financial statements at the legal level of budgetary control. Expenditures in excess of appropriations for the year ended June 30, 2020, are as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
Supporting services:			
Pupil support	\$ 716,911	\$ 770,724	\$ 53,813
General administration	482,197	484,259	2,062
Payments to other governments	4,594,324	4,806,777	212,453
Transfers out	71,805	572,680	500,875
Special education fund			
Community services	335,814	336,060	246
Transfers out	2,858,466	3,766,413	907,947
Career technical education fund			
Supporting services:			
Instructional support	158,447	159,829	1,382
School administration	691,200	705,293	14,093
Business services	35,405	35,798	393
Transportation	31,743	33,655	1,912
Central services	273,990	347,787	73,797
Community services	232,214	232,653	439

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

Statement of Net Position	
Cash and cash equivalents	\$ 28,628,392
Investments	<u>854,806</u>
Total	<u><u>\$ 29,483,198</u></u>
Deposits and investments	
Cash on hand	\$ 600
Bank deposits (checking and savings accounts)	28,627,792
Investments	<u>854,806</u>
Total	<u><u>\$ 29,483,198</u></u>

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Statutory Authority

State statutes authorize the District to invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allow for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. At June 30, 2020, the District had the following investments:

Deposit / Investment	Maturity	Amortized Cost/ Fair Value	Rating
U.S. Government Money Market Funds	n/a	\$ 383,403	S&P - AAAm
Michigan Liquid Asset Fund	n/a	<u>471,403</u>	S&P - AAAm
		<u>\$ 854,806</u>	

Deposit and Investment Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$28,272,043 of the District's bank balance of \$29,015,519 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. None of the District's investments are subject to custodial credit risk because their existence is not evidenced by securities in physical or book form.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Fair Value. The 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 asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The District's only recurring fair value measurements as of June 30, 2020, were related to its investments in U.S. Government Money Market Funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

5. RECEIVABLES

Accounts receivable as of year end for the District's individual major funds and nonmajor funds in the aggregate, are all due from other governments.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 25,007	\$ -	\$ -	\$ -	\$ 25,007
Construction in progress	129,169	280,901	-	(121,664)	288,406
	<u>154,176</u>	<u>280,901</u>	<u>-</u>	<u>(121,664)</u>	<u>313,413</u>
Capital assets, being depreciated:					
Land improvements	2,651,860	292,100	-	4,875	2,948,835
Buildings and improvement	27,625,877	292,603	-	116,789	28,035,269
Furniture and equipment	4,611,711	259,240	(407,245)	-	4,463,706
Transportation equipment	3,080,733	391,914	(391,202)	-	3,081,445
	<u>37,970,181</u>	<u>1,235,857</u>	<u>(798,447)</u>	<u>121,664</u>	<u>38,529,255</u>
Less accumulated depreciation for:					
Land improvements	(881,484)	(96,254)	-	-	(977,738)
Buildings and improvement	(18,739,448)	(642,121)	-	-	(19,381,569)
Furniture and equipment	(2,286,016)	(380,256)	407,245	-	(2,259,027)
Transportation equipment	(1,494,569)	(295,374)	391,202	-	(1,398,741)
	<u>(23,401,517)</u>	<u>(1,414,005)</u>	<u>798,447</u>	<u>-</u>	<u>(24,017,075)</u>
Total capital assets being depreciated, net	<u>14,568,664</u>	<u>(178,148)</u>	<u>-</u>	<u>121,664</u>	<u>14,512,180</u>
Governmental activities capital assets, net	<u>\$ 14,722,840</u>	<u>\$ 102,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,825,593</u>

Depreciation expense of \$1,414,005 was charged to the function "unallocated depreciation" and not allocated to other functions.

At June 30, 2020, the District had outstanding commitments through construction contracts of approximately \$676,000.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Special Education	Career Technical Education	Recurring Projects
Accounts payable	\$ 609,646	\$ 176,268	\$ 132,258	\$ 70,669
Salaries payable	101,657	2,944,984	624,671	-
Accrued liabilities	50,413	1,682,672	331,775	-
Due to other governments	200,736	745,765	159,483	-
	<u>\$ 962,452</u>	<u>\$ 5,549,689</u>	<u>\$ 1,248,187</u>	<u>\$ 70,669</u>
	Nonmajor Governmental Funds	Total		
Accounts payable	\$ 5,110	\$ 993,951		
Salaries payable	-	3,671,312		
Accrued liabilities	-	2,064,860		
Due to other governments	-	1,105,984		
	<u>\$ 5,110</u>	<u>7,836,107</u>		
Government-wide Financial Statements				
Claims payable		<u>55,564</u>		
		<u>\$ 7,891,671</u>		

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020, was as follows:

	Due from Other Funds	Due to Other Funds
General	\$ -	\$ 4,460,300
Special education	-	5,361,797
Career technical education	-	2,917,037
Recurring projects	12,739,134	-
Total	<u>\$ 12,739,134</u>	<u>\$ 12,739,134</u>

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

For the year ended June 30, 2020, interfund transfers consisted of the following:

	Transfers in	Transfers out
General	\$ 3,551,822	\$ 572,680
Special education	166,414	3,766,413
Career technical education	56,266	2,951,822
Recurring projects	3,500,000	-
Nonmajor governmental funds	16,413	-
	<u>\$ 7,290,915</u>	<u>\$ 7,290,915</u>

The District reports interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for the governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2020, the District transferred funds for debt service and to pay for administrative services that were provided to the special education and the career technical education funds. In addition, funds were transferred to the recurring projects fund for special improvement projects within the District.

9. LONG-TERM DEBT

Long-term debt and other obligations of the District at June 30, 2020, are summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
2009 School Building & Site Bonds, paid in full in October 2019	\$ 620,000	\$ -	\$ 620,000	\$ -	\$ -
Compensated absences	<u>197,464</u>	<u>278,690</u>	<u>197,464</u>	<u>278,690</u>	<u>278,690</u>
Total long-term debt	<u>\$ 817,464</u>	<u>\$ 278,690</u>	<u>\$ 817,464</u>	<u>\$ 278,690</u>	<u>\$ 278,690</u>

Compensated absences are generally liquidated by the general, special education, and career technical education funds.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

The District is self-insured to provide health benefits for certain employee groups. The District estimates the liability for its self-insured coverages and includes both those claims that have been reported as well as those that have not yet been reported. These estimates are prepared with the assistance of the District's third-party administrators for claims management. Changes in the estimated liability are as follows:

	2020	2019
Estimated liability, beginning of year	\$ 35,107	\$ 53,944
Estimated claims incurred, including changes in estimates	671,397	788,715
Claim payments	<u>(650,940)</u>	<u>(807,552)</u>
Estimated liability, end of year	<u>\$ 55,564</u>	<u>\$ 35,107</u>

11. PROPERTY TAXES

Property taxes are assessed as of December 31 and attach as an enforceable lien on property as of July 1 of the following year. Taxes are levied on whose boundaries include property within the District and are due on September 15.

12. TAX ABATEMENTS

The District received reduced property tax revenues during 2020 as a result of industrial facilities tax exemptions (IFT's) entered into by cities, villages, townships, and authorities within the District boundaries.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the District boundaries. The abatements amounted to approximately \$192,000 in reduced District tax revenues for 2020.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

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

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

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

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	18.25% - 19.41%
Member Investment Plan (MIP)	3.00% - 7.00%	18.25% - 19.41%
Pension Plus	3.00% - 6.40%	16.46%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

For the year ended June 30, 2020, required and actual contributions from the District to the pension plan were \$10,251,307, which included \$4,054,195, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.93% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

For the year ended June 30, 2020, required and actual contributions from the District to the OPEB plan were \$2,682,580.

The table below summarizes defined contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2020, required and actual contributions from the District for those members with a defined contribution benefit were \$419,058.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

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

At June 30, 2020, the District reported a liability of \$120,031,347 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.36245%, which was an increase of 0.00793% from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$20,649,414. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 538,019	\$ 500,519	\$ 37,500
Changes in assumptions	23,502,222	-	23,502,222
Net difference between projected and actual earnings on pension plan investments	-	3,846,801	(3,846,801)
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,199,353	129,432	3,069,921
	<u>27,239,594</u>	<u>4,476,752</u>	<u>22,762,842</u>
District contributions subsequent to the measurement date	9,411,680	-	9,411,680
	<u>9,411,680</u>	<u>-</u>	<u>9,411,680</u>
Total	<u><u>\$ 36,651,274</u></u>	<u><u>\$ 4,476,752</u></u>	<u><u>\$ 32,174,522</u></u>

The \$9,411,680 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	\$ 9,196,743
2022	7,160,885
2023	4,574,961
2024	<u>1,830,253</u>
Total	<u><u>\$ 22,762,842</u></u>

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

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

At June 30, 2020, the District reported a liability of \$26,392,487 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.36770% which was an increase of 0.01074% from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$946,417. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 9,684,150	\$ (9,684,150)
Changes in assumptions	5,718,718	-	5,718,718
Net difference between projected and actual earnings on OPEB plan investments	-	458,978	(458,978)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,187,992	31,765	1,156,227
	<u>6,906,710</u>	<u>10,174,893</u>	<u>(3,268,183)</u>
District contributions subsequent to the measurement date	2,304,264	-	2,304,264
	<u>2,304,264</u>	<u>-</u>	<u>2,304,264</u>
Total	<u>\$ 9,210,974</u>	<u>\$ 10,174,893</u>	<u>\$ (963,919)</u>

The \$2,304,264 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2021	\$ (957,338)
2022	(957,338)
2023	(728,234)
2024	(416,110)
2025	<u>(209,163)</u>
Total	<u>\$ (3,268,183)</u>

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2018 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80%
Pension Plus plan (hybrid)	6.80%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2019, are based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4977 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.7101 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Long-term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		5.65%
Inflation			2.30%
Risk adjustment			<u>-1.15%</u>
Investment rate of return			<u>6.80%</u>

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		5.65%
Inflation			2.30%
Risk adjustment			<u>-1.00%</u>
Investment rate of return			<u>6.95%</u>

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
District's proportionate share of the net pension liability	\$ 156,048,429	\$ 120,031,347	\$ 90,171,944

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net OPEB liability	\$ 32,374,351	\$ 26,392,487	\$ 21,369,382

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

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

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 21,156,425	\$ 26,392,487	\$ 32,373,641

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2020, the District reported a payable of \$1,818,586 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2020.

Payable to the OPEB Plan

At June 30, 2020, the District reported a payable of \$297,009 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2020.

14. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2020, net investment in capital assets was comprised of the following:

Net investment in capital assets	
Capital assets not being depreciated	\$ 313,413
Capital assets being depreciated, net	<u>14,512,180</u>
Total net investment in capital assets	<u><u>\$ 14,825,593</u></u>

15. RESTATEMENT

The District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result of this change, beginning fund balance of the student/school activity special revenue fund and the memorials/scholarships special revenue fund were increased by \$5,550 and \$18,229, respectively, and beginning net position of governmental activities was increased by \$23,779.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

16. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the District's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it will continue to place additional demands on the District as it determines the appropriate methods to deliver education to students in a safe environment. While management reasonably expects the COVID-19 outbreak to negatively impact the District's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.



REQUIRED SUPPLEMENTARY INFORMATION

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,		
	2020	2019	2018
District's proportionate share of the net pension liability	\$ 120,031,347	\$ 106,575,978	\$ 90,724,262
District's proportion of the net pension liability	0.36245%	0.35452%	0.35009%
District's covered payroll	\$ 32,170,392	\$ 30,403,970	\$ 29,782,328
District's proportionate share of the net pension liability as a percentage of its covered payroll	373.11%	350.53%	304.62%
Plan fiduciary net position as a percentage of the total pension liability	60.31%	62.36%	64.21%

See notes to required supplementary information.



Year Ended June 30,		
2017	2016	2015
\$ 84,528,369	\$ 81,707,674	\$ 69,586,838
0.33880%	0.33452%	0.31592%
\$ 28,812,805	\$ 23,818,313	\$ 23,907,307
293.37%	343.05%	291.07%
63.27%	63.17%	66.20%

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan Schedule of the District's Pension Contributions

	Year Ended June 30,		
	2020	2019	2018
Statutorily required contributions	\$ 10,251,307	\$ 9,549,533	\$ 9,666,215
Contributions in relation to the statutorily required contributions	(10,251,307)	(9,549,533)	(9,666,215)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 33,762,703	\$ 31,722,188	\$ 30,154,456
Contributions as a percentage of covered payroll	30.36%	30.10%	32.06%

See notes to required supplementary information.



Year Ended June 30,		
2017	2016	2015
\$ 7,838,018	\$ 7,838,018	\$ 6,142,307
<u>(7,838,018)</u>	<u>(7,838,018)</u>	<u>(6,142,307)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 29,116,650	\$ 23,864,947	\$ 23,416,380
26.92%	32.84%	26.23%

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (OPEB) Liability

	Year Ended June 30,		
	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 26,392,487	\$ 28,374,444	\$ 31,009,371
District's proportion of the net OPEB liability	0.36770%	0.35696%	0.35017%
District's covered payroll	\$ 32,170,392	\$ 30,403,970	\$ 29,782,328
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.04%	93.32%	104.12%
Plan fiduciary net position as a percentage of the total OPEB liability	48.46%	42.95%	36.39%

See notes to required supplementary information.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Required Supplementary Information

MPERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Other Postemployment Benefit (OPEB) Contributions

	Year Ended June 30,		
	2020	2019	2018
Statutorily required contributions	\$ 2,682,580	\$ 2,480,768	\$ 2,216,497
Contributions in relation to the statutorily required contributions	<u>(2,682,580)</u>	<u>(2,480,768)</u>	<u>(2,216,497)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 33,762,703	\$ 31,722,188	\$ 30,154,456
Contributions as a percentage of covered payroll	7.95%	7.82%	7.35%

See notes to required supplementary information.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of date will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of date will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

COMBINING FUND FINANCIAL STATEMENTS

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2020

	Special Revenue		
	Training Assistance	Student/School Activity Fund	Memorials/Scholarships
Assets			
Cash and cash equivalents	\$ 794,068	\$ 5,573	\$ 17,802
Due from other governments	12,032	-	-
Total assets	<u>\$ 806,100</u>	<u>\$ 5,573</u>	<u>\$ 17,802</u>
Liabilities			
Accounts payable	\$ 1,980	\$ -	\$ -
Unearned revenue	-	-	-
Total liabilities	<u>1,980</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources			
Unavailable receivables	120	-	-
Fund balances			
Restricted	804,000	-	17,802
Committed	-	5,573	-
Total fund balances	<u>804,000</u>	<u>5,573</u>	<u>17,802</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 806,100</u>	<u>\$ 5,573</u>	<u>\$ 17,802</u>



Debt Service	Capital Projects	
2009 Debt Service	Technology	Totals
\$ -	\$ 1,288,214	\$ 2,105,657
-	60	12,092
<u>\$ -</u>	<u>\$ 1,288,274</u>	<u>\$ 2,117,749</u>
\$ -	\$ 3,130	\$ 5,110
-	370,000	370,000
<u>-</u>	<u>373,130</u>	<u>375,110</u>
-	-	120
-	915,144	1,742,519
-	-	-
<u>-</u>	<u>915,144</u>	<u>1,742,519</u>
<u>\$ -</u>	<u>\$ 1,288,274</u>	<u>\$ 2,117,749</u>

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended June 30, 2020

	Special Revenue		
	Training Assistance	Student/School Activity Fund	Memorials/Scholarships
Revenues			
Local sources:			
Earnings on investments and deposits	\$ -	\$ -	\$ -
Other	3,876	10,040	2,516
State sources	103,703	-	-
Total revenues	<u>107,579</u>	<u>10,040</u>	<u>2,516</u>
Expenditures			
Current:			
Supporting services	43,795	-	2,943
Student/school activity	-	10,017	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay -			
Technology capital improvements	-	-	-
Total expenditures	<u>43,795</u>	<u>10,017</u>	<u>2,943</u>
Revenues over (under) expenditures	63,784	23	(427)
Other financing sources			
Transfers in	-	-	-
Net change in fund balances	63,784	23	(427)
Fund balances, beginning of year, as restated	<u>740,216</u>	<u>5,550</u>	<u>18,229</u>
Fund balances, end of year	<u>\$ 804,000</u>	<u>\$ 5,573</u>	<u>\$ 17,802</u>



Debt Service	Capital Projects	
2009 Debt Service	Technology	Totals
\$ -	\$ 6,159	\$ 6,159
-	422,000	438,432
-	-	103,703
<hr/>		
-	428,159	548,294
<hr/>		
-	-	46,738
-	-	10,017
620,000	-	620,000
16,413	-	16,413
-	258,376	258,376
<hr/>		
636,413	258,376	951,544
<hr/>		
(636,413)	169,783	(403,250)
16,413	-	16,413
<hr/>		
(620,000)	169,783	(386,837)
620,000	745,361	2,129,356
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\$ -	\$ 915,144	\$ 1,742,519
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SINGLE AUDIT ACT COMPLIANCE

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JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Awards Amount
U.S. Department of Education				
2019-2020 Title I Regional Assistance	84.010	MDE	191570-1819	\$ 412,788
2018-2019 Title I Regional Assistance	84.010	MDE	201570-1920	295,621
Special Education Cluster:				
2018-2019 IDEA Flowthrough	84.027A	MDE	190450-1819	5,949,045
2019-2020 IDEA Flowthrough	84.027A	MDE	200450-1920	5,990,157
2018-2019 General Supervision	84.027A	MDE	190493-GSG	126,500
2019-2020 General Supervision	84.027A	MDE	200493-GSG	126,500
2018-2019 IDEA Preschool	84.173A	MDE	190460-1819	230,209
2019-2020 IDEA Preschool	84.173A	MDE	200460-1920	234,849
Total Special Education Cluster				
2018-2019 Perkins	84.048A	HCISD	N/A	307,225
2019-2020 Perkins	84.048A	HCISD	N/A	297,759
2018-2019 Infants and Toddler Formula	84.181A	MDE	191340-1819	179,777
2019-2020 Infants and Toddler Formula	84.181A	MDE	201340-1920	177,218
2018-2019 McKinney-Vento Homeless Education	84.196A	MDE	192320-1819	90,945
2019-2020 McKinney-Vento Homeless Education	84.196A	MDE	202320-1920	67,095
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
2018-2019 Substance Abuse and Mental Health Services First Aid	93.243	MDE	192730	465,000
2019-2020 RTT Trusted Advisors	93.434	MDE	193910-1920	20,000
2018-2019 Child Care and Development Block Grant	93.596	MDE	193QUA-1819	50,000
Medicaid cluster -				
2019-2020 Medicaid Administrative Outreach	93.778	MDHHS	-n/a-	136,227
Total U.S. Department of Health and Human Services				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Expenditures (Memo Only) Prior Year(s)	Accrued (Unearned) Revenue at July 1, 2019	Federal Funds / Payments In-Kind Received	Expenditures June 30, 2020	Accrued (Unearned) Revenue at June 30, 2020	Current Year Cash Transferred to Subrecipient
\$ 160,936	\$ 65,441	\$ 211,672	\$ 146,231	\$ -	\$ 3,600
-	-	115,470	130,347	14,877	12,155
	<u>65,441</u>	<u>327,142</u>	<u>276,578</u>	<u>14,877</u>	<u>15,755</u>
5,465,416	1,105,631	1,589,260	483,629	-	-
-	-	4,410,448	5,492,696	1,082,248	-
118,121	30,797	39,176	8,379	-	-
-	-	90,509	120,679	30,170	-
	<u>1,136,428</u>	<u>6,129,393</u>	<u>6,105,383</u>	<u>1,112,418</u>	<u>-</u>
213,517	53,628	70,320	16,692	-	-
-	-	170,043	227,174	57,131	-
	<u>53,628</u>	<u>240,363</u>	<u>243,866</u>	<u>57,131</u>	<u>-</u>
	<u>1,190,056</u>	<u>6,369,756</u>	<u>6,349,249</u>	<u>1,169,549</u>	<u>-</u>
301,103	84,048	84,048	-	-	-
-	-	225,802	297,759	71,957	-
	<u>84,048</u>	<u>309,850</u>	<u>297,759</u>	<u>71,957</u>	<u>-</u>
164,975	75,696	90,498	14,802	-	-
-	-	95,515	162,775	67,260	-
	<u>75,696</u>	<u>186,013</u>	<u>177,577</u>	<u>67,260</u>	<u>-</u>
55,956	27,124	49,800	22,676	-	13,030
-	-	34,024	43,640	9,617	17,761
	<u>27,124</u>	<u>83,824</u>	<u>66,316</u>	<u>9,617</u>	<u>30,791</u>
	<u>1,442,365</u>	<u>7,276,585</u>	<u>7,167,479</u>	<u>1,333,260</u>	<u>46,546</u>
282,771	54,006	227,283	173,277	-	33,580
-	-	20,000	20,000	-	-
39,472	5,449	15,977	10,528	-	-
-	-	136,227	136,227	-	-
	<u>59,455</u>	<u>399,487</u>	<u>340,032</u>	<u>-</u>	<u>33,580</u>
	<u>\$ 1,501,820</u>	<u>\$ 7,676,072</u>	<u>\$ 7,507,511</u>	<u>\$ 1,333,260</u>	<u>\$ 80,126</u>

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards Provided to Subrecipients For the Year Ended June 30, 2020

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Current Year Cash Transferred to Subrecipient
U.S. Department of Education		
Title I Regional Assistance:		
2018 - 2019	84.010	
Passed through to - Jackson Public Schools		<u>\$ 3,600</u>
2019 - 2020		
Passed through to - Jackson Public Schools		<u>12,155</u>
Homeless Children and Youth:		
2018 - 2019	84.196A	
Passed through to:		
Jackson Public Schools		7,530
Columbia Public Schools		111
East Jackson Public Schools		510
Hanover Horton Community Schools		121
Michigan Center School District		124
Napoleon Public Schools		357
Northwest Community Schools		2,759
Vandercook Lake Public Schools		171
Western School District		208
daVinci Primary Schools		1,062
Community Action Agency		<u>77</u>
		<u>13,030</u>
2019 - 2020		
Passed through to:		
Jackson Public Schools		8,000
Columbia Public Schools		525
East Jackson Public Schools		483
Grass Lake Community Schools		195
Hanover Horton Community Schools		873
Michigan Center School District		234
Northwest Community Schools		968
Springport Public Schools		1,188
Vandercook Lake Public Schools		642
Western School District		3,000
daVinci Primary Schools		<u>1,653</u>
		<u>17,761</u>

continued...

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards Provided to Subrecipients For the Year Ended June 30, 2020

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Current Year Cash Transferred to Subrecipient
Substance Abuse and Mental Health Services: 2018 - 2019	93.243	
Passed through to:		
daVinci Primary Schools		\$ 7,036
Columbia Public Schools		2,937
Concord Community Schools		2,603
Jonesville Community Schools		2,999
Michigan Center School District		3,157
Northwest Community Schools		5,850
Reading Community Schools		3,187
Springport Public Schools		2,818
Vandercook Lake Public Schools		2,993
		33,580
Total subawards		\$ 80,126

concluded.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Jackson County Intermediate School District (the "District") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The District receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
HCISD	Hillsdale County Intermediate School District
MDE	Michigan Department of Education
MDHHS	Michigan Department of Health and Human Services



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

November 2, 2020

Board of Education
Jackson County Intermediate School District
Jackson, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Jackson County Intermediate School District* (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 2, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rehmann Lobson LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 2, 2020

Board of Education
Jackson County Intermediate School District
Jackson, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of the *Jackson County Intermediate School District* (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2020. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? _____ yes X no

Identification of major program:

CFDA Number

84.027A & 84.173A

Name of Federal Program or Cluster

Special Education Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

X yes _____ no

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Summary Schedule of Prior Year Audit Findings For the Year Ended June 30, 2020

None reported.



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