



Year Ended
June 30, 2015

Financial
Statements and
Single Audit Act
Compliance

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JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

October 27, 2015

Board of Education
Jackson County Intermediate School District
Jackson, Michigan

Report on the Financial Statements

We have audited the accompanying 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2015, and the respective changes in financial position, and where applicable, cashflows thereof and the 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. 68

As described in Note 15, the District implemented the provisions of GASB Statement No. 68, *Financial Reporting for Pension Plans*, in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

Other Matters

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 plan, 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.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

The 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, three 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, assistance with grant writing, 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, 2015. 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 and GASB 68

Goals related to financial activities of the District for the 2014-15 fiscal year were generally met. While the fund balances of some funds went up and other funds went down over the past year, the District's management believes the overall condition of all funds and governmental activities of the District improved slightly during the year. During the prolonged economic downturn over the past several years the District has taken a conservative approach to staffing, looked for more opportunities to collaborate with other districts, and taken numerous other steps to streamline operations, increase efficiencies, and reduce costs in order to maintain programs and services. As a result, the financial health of the District remains stable and relatively strong. The District plans to continue taking this same conservative approach going forward to maintain its financial health while the Michigan economy and housing market are in a period of sustained slow recovery.

At the close of the 2014-15 fiscal year, the District's governmental fund balances totaled \$16,368,145, an increase of \$1,444,290 over the prior year. Of the \$16,368,145, \$1,273,653 is nonspendable in the form of inventories, prepaids or land held for resale, \$6,546,405 is restricted for use in particular programs (special education, career technical education, training assistance), \$6,103,572 is restricted for capital projects or technology, \$315,000 is assigned for future technology consortium expenses, and \$2,131,015 is unassigned.

During its 2015 fiscal year, the District implemented GASB (Governmental Accounting Standards Board) Statement No. 68 related to the *Accounting and Financial Reporting for Pensions*. This requires all public school districts in Michigan to report their proportionate share of the total net pension liability from the Michigan Public School Employees Retirement System (MPSERS). The District's share was calculated by MPSERS using actuarial determinations to be 0.19046% of the total liability, which as of June 30, 2015 was equivalent to \$69,586,838. This change in accounting practice resulted in the District having a negative net position of governmental activities of \$38,237,258 as of June 30, 2015. More importantly, however, the District's net position improved by \$3,745,573 during the 2015 fiscal year.

While the reporting of this liability in the financial statements of local school districts is new this year, the fundamental situation is unchanged from last year. There is a large unfunded pension liability related to public school employees which the state of Michigan has taken steps to address. This started with pension reform measures which were implemented effective in 2012, and the commitment of additional funding through the state's School Aid Fund designated specifically to pay down the unfunded actuarial accrued liability over a period of years. Additional information regarding GASB 68, including the expanded disclosure requirements, can be found in Note 13 to the accompanying Financial Statements.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

Using this Financial Report

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements 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. This statement focuses on expenses (cost) for each of the District's functional activities (e.g., instruction, supporting services and depreciation, etc.). In the private sector, revenues are the first item in the operating statement reflecting the common business goal of maximizing revenues. In the public sector, the goal is to provide needed services cost-effectively so the first item in the statement of activities for local governments is expenses, not revenues. The cost of services need not be financed from the District's own resources, but may be offset by outside resources such as contributions, fees, and grants. The statement of activities is presented to highlight the portion of each functional activity that must be financed by the District's own resources. The statement first reports all direct costs associated with each functional activity, then reports dedicated outside revenues as a direct reduction, to arrive at the program's net cost to the District.

Governmental Activities. Most of the District's basic services are included here, such as learning services, special education, career and technical education, transportation, and administration. Property taxes and state aid finance most of these activities. Also, in the internal service funds, the District charges fees to help it cover the costs of certain services it provides. The District's adult education programs and technology related services are examples.

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 three kinds of funds:

Governmental Funds. Most of the District's basic services are included in 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.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The District adopts annual appropriated budgets for the general fund and major 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 Funds. In the internal service funds, the District charges fees to help it cover the costs of certain technology services it provides.

Fiduciary Funds. The District is the trustee, or fiduciary, for assets that belong to others such as student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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. Other information consists the required supplementary information for the District's pension plan, combining fund financial statements and single audit act compliance 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 \$38,727,258 at the close of the most recent fiscal year. This change from a positive net position to a negative net position was driven by the new GASB 68 reporting requirements as was explained in the financial highlights.

	Net Position	
	Governmental Activities	
	2015	2014
Current and other assets	\$ 24,351,628	\$22,437,036
Capital assets, net	13,070,928	12,460,396
Total assets	37,422,556	34,897,432
Deferred outflows of resources	10,307,794	-
Long-term liabilities	905,850	1,001,592
Current and other liabilities	77,368,905	7,337,221
Total liabilities	78,274,755	8,338,813
Deferred inflows of resources	7,692,853	-
Net position:		
Net investment in capital assets	12,280,928	11,630,396
Restricted	13,105,771	12,225,937
Unrestricted (deficit)	(63,623,957)	2,702,286
Total net position	\$(38,237,258)	\$26,558,619

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 an increase of \$3,745,573. 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 expenditures for the year by major function.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

	Changes in Net Position	
	Governmental Activities	
	2015	2014
Program revenues:		
Charges for services	\$ 237,636	\$ 252,960
Operating grants	16,688,390	15,390,389
General revenues:		
Property taxes	37,700,569	37,236,853
Unrestricted state aid	12,618,241	10,333,399
Other general revenue	4,736,523	4,544,316
Total revenues	<u>71,981,359</u>	<u>67,757,917</u>
Expenses:		
Instruction	16,010,670	16,311,985
Supporting services	36,940,403	36,082,372
Payments to other governments	14,095,986	15,211,370
Interest on long-term debt	42,800	44,463
Unallocated depreciation	1,145,927	1,210,263
Total expenses	<u>68,235,786</u>	<u>68,860,453</u>
Change in net position	3,745,573	(1,102,536)
Net position:		
Beginning of year	26,558,619	27,661,155
Restatement for GASB 68	(68,541,450)	-
End of year	<u>\$(38,237,258)</u>	<u>\$26,558,619</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 (23%), providing services for pupils (54%) and direct payments to local school districts and education providers (21%). 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 support services ratio would be consistent with the purpose of intermediate school districts, which is to provide support programs to local districts in order to more efficiently and effectively educate students in the County.

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 these funds are prepared according to Michigan law.

During the fiscal year ended June 30, 2015, the District amended the budgets of the General, Special Education and Career Technical Education Funds two times to reflect changes to 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 2015 fiscal year the General Fund had total revenues and transfers in of \$16,490,658 and total expenditures and transfers out of \$15,926,202. As a result the fund balance at year-end increased by \$564,456 to a total of \$3,262,374.

Summary of General Fund Performance			
for the Year Ended June 30, 2015			
	Original Budget	Final Budget	Actual Results
Total revenues and transfers in	\$16,518,646	\$17,132,785	\$16,490,658
Total expenditures and transfers out	(16,374,444)	(16,770,627)	(15,926,202)
Net change in fund balance	144,202	362,158	564,456
Fund balance - Beginning of year	2,697,918	2,697,918	2,697,918
End of year	<u>\$ 2,842,120</u>	<u>\$ 3,060,076</u>	<u>\$ 3,262,374</u>

The General Fund actual revenues and transfers in were lower than both the original and final amended budgets. The General Fund actual expenditures and transfers out were also lower than both the original and amended budgets. These differences were due primarily to the timing of grant related revenue and the expenses associated with fulfilling those grants. Apart from the grant related revenues and expenditures, adjustments were made to ensure that actual expenditures of the General Fund were in line with the revenue. The net result was an increase realized in the General Fund for the year and the resultant fund balance is within the target range established by the Board of Education for the General Fund.

Special Education Fund. As summarized below, during the 2015 fiscal year the Special Education Fund had total revenues and transfers in of \$47,441,895 and total expenditures and transfers out of \$46,988,106. As a result the fund balance at year-end increased by \$453,789 to a total of \$2,800,743.

Summary of Special Ed Fund Performance			
for the Year Ended June 30, 2015			
	Original Budget	Final Budget	Actual Results
Total revenues and transfers in	\$45,050,788	\$47,573,715	\$47,441,895
Total expenditures and transfers out	(45,710,754)	(47,645,042)	(46,988,106)
Net change in fund balance	(659,966)	(71,327)	453,789
Fund balance - Beginning of year	2,346,954	2,346,954	2,346,954
End of year	<u>\$ 1,686,988</u>	<u>\$ 2,275,627</u>	<u>\$ 2,800,743</u>

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

Both the revenues / transfers in and expenditures / transfers out of the Special Education Fund came in higher to the amounts originally budgeted but lower than the final amended budget. The biggest changes from the original budget were slightly higher property tax revenue than expected, and this was shared with the local school districts in the county through the ISD's Special Education reimbursement payments to the local districts and invested in the educational programming for our special needs students. The final results for the year were better than budgeted and the resulting fund balance is within the target range established by the Board of Education for the Special Education Fund.

Career Technical Education Fund. Career Technical Education Fund. As summarized below, during the 2015 fiscal year the Career Technical Education Fund had total revenues of \$11,632,667 and total expenditures of \$12,003,076. As a result the fund balance at year-end decreased by \$370,409 to a total of \$3,548,823.

Summary of Career Technical Education Fund Performance			
for the Year Ended June 30, 2015			
	Original Budget	Final Budget	Actual Results
Total revenues	\$11,298,577	\$11,591,565	\$11,632,667
Total expenditures and transfers out	<u>(12,099,631)</u>	<u>(11,962,814)</u>	<u>(12,003,076)</u>
Net change in fund balance	(801,054)	(371,249)	(370,409)
Fund balance - Beginning of year	<u>3,919,232</u>	<u>3,919,232</u>	<u>3,919,232</u>
End of year	<u>\$ 3,118,178</u>	<u>\$ 3,547,983</u>	<u>\$ 3,548,823</u>

The actual revenue for the Career Technical Education Fund was slightly higher than both the original budget and the final amended budget. The actual expenditures and transfers out of the Career Technical Education Fund came in slightly lower than the original but slightly higher than the final amended budget. This resulted in a decrease in fund balance for the year, but not as big of a decrease as had originally been budgeted. The ending fund balance is within the range established by the Board of Education for the Career and Technical Education Fund.

Recurring Projects Fund. During the 2015 fiscal year the Recurring Projects Fund had no revenues, \$1,550,000 in transfers in and total expenditures of \$764,824. As a result the fund balance at year-end increased by \$785,176 to a total of \$5,872,235 which is all restricted for capital projects.

Capital Asset and Debt Administration

Capital Assets. At the end of the 2014-15 fiscal year, the District had \$32,385,322 invested in land, buildings, furniture and equipment and transportation equipment, an increase of \$954,279 from the previous year. During 2014-15 there was additional depreciation of \$1,145,927 resulting in total accumulated depreciation as of June 30, 2015, of \$19,314,394. This yields a net book value of the District's capital assets of \$13,070,928 at June 30, 2015, an increase of \$610,532 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 a certain level of continued investment to keep them well maintained. The District's capital asset plan and facilities maintenance staff have protected the District's assets from deterioration with the constant and vigilant care required to maintain its capital asset investment at the levels of quality the District has enjoyed in the past. In order to ensure this continues into the future, the District will utilize its recurring projects fund to provide the necessary dollars for facility projects that would otherwise not be possible relying only upon operating funds without taking on additional debt. Examples of such projects could include chillers, boilers, energy management systems, roofs, parking lots and other similar building updates.

Long-term Debt. The District has long-term bonds of \$790,000 outstanding. This is a relatively small amount compared to many school districts in Michigan. This bonded indebtedness is attributable to School Building and Site Bonds issued in August 2009 that were used to complete an addition to the District's Kit Young Center where special education students aged 18-26 are trained in community focused instruction. These bonds are due in annual installments of \$40,000 to \$75,000 through the year 2029.

Factors Bearing on the District's Future

The world of K-12 education in the state of Michigan has seen many changes in the past few years including the areas of funding, consolidation of services and addressing schools that are struggling financially and / or in attaining educational achievement. There have also been changes directly impacting school employees such as pension reform and increased participation in sharing the cost of health insurance. The District expects this pace of change to continue into the future and that provides a challenge in terms of the allocation of District resources, both human and financial resources. Some of the key areas of potential future evolution include, but are not limited to the following:

- **Support Services:** For many years the Jackson County ISD has viewed its primary purpose as servicing the local districts of Jackson County in whatever areas they need support. Over the years areas of service have expanded from the initial primary focus on instructional support to now include many areas of non-instructional support in such fields as technology, business and finance, student data reporting, legal and many more. Areas where the role of intermediate school districts seem to be growing currently based on strong emphasis and directives from the state are early childhood programming, supporting priority and focus schools, assisting financially distressed school districts, reading proficiency, and career readiness (which includes a renewed emphasis on vocational training).
- **Local Property Tax Revenue:** After several years in a row of declining property values totaling over 10%, the total value of Jackson County property increased slightly in both the 2013 tax year and the 2014 tax year which provided the basis for ISD funding in the 2014-15 fiscal year. Although somewhat unfavorably impacted by the phase out of the Personal Property Tax, this positive trend in property values provides a welcome stability to funding, especially for the Special Ed and Career and Technical Education funds, since local property taxes are the District's single largest revenue source. Hopefully this favorable trend will continue into the future to enable further investment in the K-12 education for all children in Jackson County.
- **Other Property Tax Issues:** The District continues to be impacted by the 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 and dollar value of these decisions has declined quite a bit in the past year since the value of many of the large commercial properties in the county has already been adjusted down. Also, as property values begin to rise again there should be less reason for these cases to exist. However, a number of other school districts in the state continue to be impacted by large MTT refunds, especially those related to "big box" retail stores that are part of national chains. Therefore it may still be possible that this issue represents a significant risk to the District's revenue stream.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

- **The Affordable Care Act:** The Affordable Care Act (ACA) has placed many new requirements on employers related to the provision of health care insurance. In order to ensure compliance with these requirements a significant amount of additional tracking, monitoring and reporting is necessary. Additionally, the ACA impacts the use of part-time employees which has been a common practice within many school districts. Going forward the District, like many employers, may have to think differently about its use of part-time employees.
- **Labor Relations:** The District has had a good working relationship in the past with all of its union partners and employees, and the District expects this to continue into the future. The labor contract with one of the District's represented groups expires December 31, 2015. Negotiations have resulted in a new tentative agreement, but at the time of this report has yet to be ratified by either party. The contract with one of the District's other represented groups expire June 30, 2016 and negotiations will not take place until the spring of 2016 which is still within the 2015-16 fiscal year. Additionally, each year the District typically makes minor updates to its handbook covering the non-represented group of administration employees for the following fiscal year. 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.

BASIC FINANCIAL STATEMENTS

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 17,532,115
Investments	816,238
Receivables	4,729,622
Prepaid items and other assets	1,273,653
Capital assets not being depreciated	25,007
Capital assets being depreciated, net	<u>13,045,921</u>
Total assets	<u>37,422,556</u>
Deferred outflows of resources	
Deferred pension amounts	<u>10,307,794</u>
Liabilities	
Accounts payable and accrued liabilities	6,582,434
Unearned revenue	1,199,633
Long-term debt:	
Due within one year	155,850
Due in more than one year	750,000
Net pension liability	<u>69,586,838</u>
Total liabilities	<u>78,274,755</u>
Deferred inflows of resources	
Deferred pension amounts	<u>7,692,853</u>
Net position	
Net investment in capital assets	12,280,928
Restricted for:	
Special education	2,800,743
Career technical education	3,548,823
Training assistance	652,633
Capital projects	6,103,572
Unrestricted (deficit)	<u>(63,623,957)</u>
Total net position	<u><u>\$ (38,237,258)</u></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, 2015

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 16,010,670	\$ -	\$ 11,523,924	\$ (4,486,746)
Supporting services	36,940,403	237,636	5,164,466	(31,538,301)
Payments to other governments	14,095,986	-	-	(14,095,986)
Interest on long-term debt	42,800	-	-	(42,800)
Unallocated depreciation	1,145,927	-	-	(1,145,927)
Total governmental activities	\$ 68,235,786	\$ 237,636	\$ 16,688,390	(51,309,760)
General revenues				
Property taxes				37,700,569
Unrestricted state aid				12,618,241
Grants and contributions not restricted to specific programs				4,672,239
Unrestricted earnings on investment and deposits				64,284
Total general revenues				55,055,333
Change in net position				3,745,573
Net position, beginning of year, as restated				(41,982,831)
Net position, end of year				\$ (38,237,258)

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

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Balance Sheet

Governmental Funds
June 30, 2015

	General	Special Education	Career Technical Education
Assets			
Cash and cash equivalents	\$ 5,197,933	\$ 6,413,141	\$ 5,013,680
Investments	-	5,580	810,658
Due from other governments	1,564,768	2,597,137	387,084
Due from other funds	14,045	500,000	-
Prepaid items	817,859	11,358	4,175
Land held for resale	-	-	440,261
Total assets	\$ 7,594,605	\$ 9,527,216	\$ 6,655,858
Liabilities			
Accounts payable	\$ 640,342	\$ 176,776	\$ 106,798
Salaries payable	44,023	2,501,923	598,613
Due to other governments	105,825	419,446	101,142
Accrued liabilities	49,711	1,459,629	357,030
Due to other funds	2,302,519	2,168,426	1,916,191
Unearned revenue	1,172,372	-	27,261
Total liabilities	4,314,792	6,726,200	3,107,035
Deferred inflows of resources			
Unavailable receivables	17,439	273	-
Fund balances			
Nonspendable:			
Prepaid items	817,859	11,358	4,175
Land held for resale	-	-	440,261
Restricted for:			
Special education	-	2,789,385	-
Career technical education	-	-	3,104,387
Training assistance	-	-	-
Capital projects:			
Projects	-	-	-
Technology	-	-	-
Assigned - technical consortium	313,500	-	-
Unassigned	2,131,015	-	-
Total fund balances	3,262,374	2,800,743	3,548,823
Total liabilities, deferred inflows of resources and fund balances	\$ 7,594,605	\$ 9,527,216	\$ 6,655,858

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



Recurring Projects	Nonmajor Governmental Funds	Totals
\$ -	\$ 880,460	\$ 17,505,214
-	-	816,238
-	95,295	4,644,284
5,887,136	-	6,401,181
-	-	833,392
-	-	440,261
<u>\$ 5,887,136</u>	<u>\$ 975,755</u>	<u>\$ 30,640,570</u>
\$ 14,901	\$ 6,275	\$ 945,092
-	-	3,144,559
-	-	626,413
-	-	1,866,370
-	14,045	6,401,181
-	-	1,199,633
<u>14,901</u>	<u>20,320</u>	<u>14,183,248</u>
-	71,465	89,177
-	-	833,392
-	-	440,261
-	-	2,789,385
-	-	3,104,387
-	652,633	652,633
5,872,235	-	5,872,235
-	231,337	231,337
-	-	313,500
-	-	2,131,015
<u>5,872,235</u>	<u>883,970</u>	<u>16,368,145</u>
<u>\$ 5,887,136</u>	<u>\$ 975,755</u>	<u>\$ 30,640,570</u>

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JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2015

Fund balances - total governmental funds	\$ 16,368,145
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	25,007
Capital assets being depreciated, net	13,045,921
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	89,177
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	112,239
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(790,000)
Compensated absences	(115,850)
Certain pension-related amounts, such as the net pension 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	(69,586,838)
Deferred outflows related to the net pension liability	10,307,794
Deferred inflows related to the net pension liability	(7,692,853)
Net position of governmental activities	<u><u>\$ (38,237,258)</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, 2015

	General	Special Education	Career Technical Education
Revenues			
Local sources	\$ 5,741,475	\$ 28,888,301	\$ 9,758,983
State sources	6,648,747	12,061,018	1,556,415
Federal sources	550,436	6,342,576	316,269
Total revenues	<u>12,940,658</u>	<u>47,291,895</u>	<u>11,631,667</u>
Expenditures			
Current:			
Instruction	-	10,409,475	6,648,980
Supporting services	11,050,131	24,076,333	3,378,536
Payments to other governments	4,176,071	9,819,498	25,560
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay -			
Technology capital improvements	-	-	-
Total expenditures	<u>15,226,202</u>	<u>44,305,306</u>	<u>10,053,076</u>
Revenues over (under) expenditures	<u>(2,285,544)</u>	<u>2,986,589</u>	<u>1,578,591</u>
Other financing sources (uses)			
Sale of capital assets	-	-	1,000
Transfers in	3,550,000	150,000	-
Transfers out	(700,000)	(2,682,800)	(1,950,000)
Total other financing sources (uses)	<u>2,850,000</u>	<u>(2,532,800)</u>	<u>(1,949,000)</u>
Net change in fund balances	564,456	453,789	(370,409)
Fund balances, beginning of year	<u>2,697,918</u>	<u>2,346,954</u>	<u>3,919,232</u>
Fund balances, end of year	<u>\$ 3,262,374</u>	<u>\$ 2,800,743</u>	<u>\$ 3,548,823</u>

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



Recurring Projects	Nonmajor Governmental Funds	Totals
\$ -	\$ 60,901	\$ 44,449,660
-	71,719	20,337,899
-	-	7,209,281
-	132,620	71,996,840
-	-	17,058,455
764,824	60,251	39,330,075
-	-	14,021,129
-	40,000	40,000
-	42,800	42,800
-	61,091	61,091
764,824	204,142	70,553,550
(764,824)	(71,522)	1,443,290
-	-	1,000
1,550,000	82,800	5,332,800
-	-	(5,332,800)
1,550,000	82,800	1,000
785,176	11,278	1,444,290
5,087,059	872,692	14,923,855
\$ 5,872,235	\$ 883,970	\$ 16,368,145

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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, 2015

Net change in fund balances - total governmental funds	\$ 1,444,290
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 and reported as depreciation expense.	
Capital outlay	1,777,805
Depreciation expense	(1,145,927)
Proceeds from sale of capital assets	(1,000)
Loss on disposal of capital assets	(20,346)
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	(16,588)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term liabilities	40,000
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	1,569,553
Change in the accrual for compensated absences	55,742
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>42,044</u>
Change in net position of governmental activities	<u><u>\$ 3,745,573</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

Budget and Actual - General Fund

For the Year Ended June 30, 2015

With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Revenues					
Local sources:					
Property tax levy	\$ 1,400,000	\$ 1,465,000	\$ 1,472,695	\$ 7,695	\$ 1,456,356
Earnings on investments and deposits	15,000	17,600	17,796	196	15,321
Rentals	13,000	13,020	12,697	(323)	13,500
Other	4,259,495	4,118,963	4,238,287	119,324	3,954,898
Total local sources	5,687,495	5,614,583	5,741,475	126,892	5,440,075
State sources:					
State school aid	2,493,277	2,478,883	2,477,343	(1,540)	2,267,512
Other	4,417,620	4,662,821	4,171,404	(491,417)	3,489,523
Total state sources	6,910,897	7,141,704	6,648,747	(492,957)	5,757,035
Federal sources:					
Title I	297,000	571,678	370,743	(200,935)	185,872
Other	73,254	254,820	179,693	(75,127)	94,014
Total federal sources	370,254	826,498	550,436	(276,062)	281,760
Total revenues	12,968,646	13,582,785	12,940,658	(642,127)	11,478,870
Expenditures					
Supporting services:					
Pupil support	157,390	313,224	258,675	(54,549)	262,317
Instructional support	2,962,090	3,392,813	2,775,248	(617,565)	2,590,730
General administration	570,191	579,066	518,962	(60,104)	487,064
Business services	1,762,440	1,666,429	1,590,591	(75,838)	1,335,605
Operations and maintenance	767,912	537,185	484,214	(52,971)	531,795
Central services	5,767,861	5,622,383	5,347,584	(274,799)	5,351,581
Community services	25,550	78,238	74,857	(3,381)	84,144
Total supporting services	12,013,434	12,189,338	11,050,131	(1,139,207)	10,643,236
Payments to other governmental entities or units	4,361,010	4,379,489	4,176,071	(203,418)	3,443,614
Total expenditures	16,374,444	16,568,827	15,226,202	(1,342,625)	14,086,850
Revenues under expenditures	(3,405,798)	(2,986,042)	(2,285,544)	700,498	(2,607,980)

continued...

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended June 30, 2015

With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Other financing sources (uses)					
Transfers in	\$ 3,550,000	\$ 3,550,000	\$ 3,550,000	\$ -	\$ 2,670,000
Transfers out	-	(201,800)	(700,000)	498,200	-
Total other financing sources (uses)	<u>3,550,000</u>	<u>3,348,200</u>	<u>2,850,000</u>	<u>498,200</u>	<u>2,670,000</u>
Net change in fund balance	144,202	362,158	564,456	202,298	62,020
Fund balance, beginning of year	<u>2,697,918</u>	<u>2,697,918</u>	<u>2,697,918</u>	<u>-</u>	<u>2,635,898</u>
Fund balance, end of year	<u>\$ 2,842,120</u>	<u>\$ 3,060,076</u>	<u>\$ 3,262,374</u>	<u>\$ 202,298</u>	<u>\$ 2,697,918</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 Balances

Budget and Actual - Special Education Special Revenue Fund

For the Year Ended June 30, 2015

With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Revenues					
Local sources:					
Property taxes	\$ 25,650,000	\$ 26,850,000	\$ 27,011,883	\$ 161,883	\$ 26,622,344
Earnings on investments and deposits	13,000	28,500	29,195	695	21,502
Contributions	1,000	25,270	22,330	(2,940)	965
Medicaid fee for service	1,815,000	1,616,497	1,616,497	-	1,916,923
Other	178,000	207,962	208,396	434	209,919
Total local sources	27,657,000	28,728,229	28,888,301	160,072	28,771,653
State sources:					
State school aid - unrestricted	7,913,542	9,055,799	9,065,961	10,162	7,176,680
State school aid - restricted	3,050,746	2,998,620	2,995,057	(3,563)	3,049,622
Total state sources	10,964,288	12,054,419	12,061,018	6,599	10,226,302
Federal sources:					
IDEA flowthrough	5,682,000	6,000,711	5,765,367	(235,344)	5,119,473
Preschool incentive	217,000	298,485	223,757	(74,728)	208,734
Infant and toddler early intervention	224,500	162,996	162,996	-	154,498
State initiated	156,000	178,875	190,456	11,581	207,560
Total federal sources	6,279,500	6,641,067	6,342,576	(298,491)	5,690,265
Total revenues	44,900,788	47,423,715	47,291,895	(131,820)	44,688,220
Expenditures					
Instruction -					
Added needs - special education	10,460,236	10,539,507	10,409,475	(130,032)	10,280,656
Supporting services:					
Pupil support	15,081,764	15,423,332	15,329,761	(93,571)	14,565,245
Instructional support	2,221,629	2,396,632	2,295,641	(100,991)	2,184,625
General administration	753,347	868,234	720,446	(147,788)	676,571
School administration	551,504	430,818	383,896	(46,922)	435,319
Business services	276,200	143,200	113,668	(29,532)	222,743
Operations and maintenance	891,055	1,165,620	1,076,910	(88,710)	796,469
Transportation	3,476,716	4,206,426	3,889,311	(317,115)	3,188,314
Central services	308,862	318,918	266,700	(52,218)	299,846
Total supporting services	23,561,077	24,953,180	24,076,333	(876,847)	22,369,132
Payments to other governmental entities or units	9,857,191	9,819,555	9,819,498	(57)	11,666,627
Total expenditures	43,878,504	45,312,242	44,305,306	(1,006,936)	44,316,415
Revenues over expenditures	1,022,284	2,111,473	2,986,589	875,116	371,805

continued...

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Special Education Special Revenue Fund

For the Year Ended June 30, 2015

With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Other financing sources (uses)					
Transfers in	\$ 150,000	\$ 150,000	\$ 150,000	\$ -	\$ 150,000
Transfers out	(1,832,250)	(2,332,800)	(2,682,800)	350,000	(1,389,463)
Total other financing sources (uses)	(1,682,250)	(2,182,800)	(2,532,800)	350,000	(1,239,463)
Net change in fund balance	(659,966)	(71,327)	453,789	525,116	(867,658)
Fund balance, beginning of year	2,346,954	2,346,954	2,346,954	-	3,214,612
Fund balance, end of year	\$ 1,686,988	\$ 2,275,627	\$ 2,800,743	\$ 525,116	\$ 2,346,954

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 Balances

Budget and Actual - Career Technical Education Special Revenue Fund

For the Year Ended June 30, 2015

With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Revenues					
Local sources:					
Property taxes	\$ 8,750,500	\$ 9,160,000	\$ 9,215,991	\$ 55,991	\$ 9,158,153
Tuition	272,600	222,000	229,236	7,236	241,160
Earnings on investments and deposits	20,000	17,000	16,373	(627)	19,527
Other	228,500	323,452	297,383	(26,069)	295,882
Total local sources	9,271,600	9,722,452	9,758,983	36,531	9,714,722
State sources:					
Unrestricted state aid	1,249,151	1,091,838	1,095,983	4,145	1,062,224
Vocational education	432,576	440,490	445,682	5,192	439,368
Other	14,250	14,750	14,750	-	14,250
Total state sources	1,695,977	1,547,078	1,556,415	9,337	1,515,842
Federal sources -					
Perkins	331,000	321,035	316,269	(4,766)	290,168
Total revenues	11,298,577	11,590,565	11,631,667	41,102	11,520,732
Expenditures					
Instruction:					
Basic programs - vocational education	6,114,778	6,518,069	6,323,592	(194,477)	5,766,879
Added needs - adult education	390,230	356,566	325,388	(31,178)	264,450
Total instruction	6,505,008	6,874,635	6,648,980	(225,655)	6,031,329
Supporting services:					
Pupil support	794,216	838,079	810,928	(27,151)	738,584
Instructional support	356,890	291,689	211,174	(80,515)	365,084
School administration	658,785	676,660	665,004	(11,656)	612,838
Business services	75,000	52,500	42,444	(10,056)	79,494
Operations and maintenance	989,495	478,668	908,231	429,563	901,782
Transportation	55,286	56,668	45,731	(10,937)	49,687
Central services	689,951	718,915	695,024	(23,891)	647,041
Total supporting services	3,619,623	3,113,179	3,378,536	265,357	3,394,510
Payments to other governmental entities or units					
	25,000	25,000	25,560	560	16,985
Total expenditures	10,149,631	10,012,814	10,053,076	40,262	9,442,824
Revenues over expenditures	1,148,946	1,577,751	1,578,591	840	2,077,908

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JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Career Technical Education Special Revenue Fund

For the Year Ended June 30, 2015

With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Other financing sources (uses)					
Sale of capital assets	\$ -	\$ 1,000	\$ 1,000	\$ -	\$ -
Transfers out	(1,950,000)	(1,950,000)	(1,950,000)	-	(1,510,000)
Other financing sources (uses)	(1,950,000)	(1,949,000)	(1,949,000)	-	-
Net change in fund balance	(801,054)	(371,249)	(370,409)	840	567,908
Fund balance, beginning of year	3,919,232	3,919,232	3,919,232	-	3,351,324
Fund balance, end of year	\$ 3,118,178	\$ 3,547,983	\$ 3,548,823	\$ 840	\$ 3,919,232

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, 2015

	Governmental Activities	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 26,901	
Due from other governments		<u>85,338</u>
Total assets		<u>112,239</u>
Net position		
Restricted		<u><u>\$ 112,239</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, 2015

	Governmental Activities
	Internal Service Fund
Operating revenues	
Charges for services	\$ 119,522
Operating expenses	
Supporting services	<u>77,585</u>
Operating income	41,937
Nonoperating revenue	
Interest revenue	<u>107</u>
Net income	42,044
Net position, beginning of year	<u>70,195</u>
Net position, end of year	<u><u>\$ 112,239</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, 2015

	Governmental Activities
	Internal Service Fund
Cash flows from operating activities	
Cash received from customers	\$ 56,193
Cash payments for goods and services	<u>(79,135)</u>
Net cash used by operating activities	(22,942)
Cash flows from investing activities	
Interest received	<u>107</u>
Net change in cash and cash equivalents	(22,835)
Cash and cash equivalents, beginning of year	<u>49,736</u>
Cash and cash equivalents, end of year	<u><u>\$ 26,901</u></u>
Reconciliation of operating income to net cash used by operating activities	
Operating income	\$ 41,937
Adjustments to reconcile operating income to net cash used by operating activities	
Change in:	
Due from other governments	(64,132)
Due from other funds	803
Accounts payable	<u>(1,550)</u>
Net cash used by operating activities	<u><u>\$ (22,942)</u></u>

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

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Fiduciary Net Position - All Fiduciary Funds June 30, 2015

	Private Purpose Trust Fund	Agency Fund
	Imagination Library	
Assets		
Cash and cash equivalents	\$ 59,419	\$ 99,459
Liabilities		
Due to student groups and activities	-	\$ 99,459
Net position		
Restricted for child literacy program	\$ 59,419	

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

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position - Private Purpose Trust Fund

Imagination Library

For the Year Ended June 30, 2015

Additions

Local sources -

Contributions

\$ 100,836

Deductions

Books

97,364

Other expenses

1,770

Total deductions

99,134

Change in net position

1,702

Net position, beginning of year

57,717

Net position, end of year

\$ 59,419

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

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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, except for agency funds, which do not have a measurement focus, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

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.

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 required to be 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 *capital projects recurring projects 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 center fund.

Additionally, the District reports the following fund types:

The *special revenue funds* are 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* funds are 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.

Private purpose trust fund is used to account for funding through donations with a mission to mail one free book per month to kids under the age of 5 aiming to improve literacy of pre-kindergarten children.

The *agency fund* accounts for assets held for student activity groups and organizations and are custodial in nature.

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.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

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.

Investments are reported at fair value based on quoted market prices.

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).

Inventory and Prepaids

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the general and special revenue funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories in the fund financial statements are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

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.

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 fair value at the date of donation.

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

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
Buildings and improvements	50
Furniture and equipment	5-20
Transportation equipment	5-10

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

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. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. More detailed information can be found in Note 13.

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 effective interest 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 costs. More detailed information can be found in Note 13.

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. *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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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.

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, 2015 are as follows:

	Final Budget	Actual	Over Budget
General fund -			
Transfers out	\$ 201,800	\$ 700,000	\$ 498,200
Special education fund -			
Transfers out	2,332,800	2,682,800	350,000
Career technical education fund -			
Supporting services:			
Operations and maintenance	478,668	908,231	429,563
Payments to other governmental units	25,000	25,560	560

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

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

Statement of Net Position	
Cash and cash equivalents	\$ 17,532,115
Investments	816,238
Statement of Fiduciary Net Position	
Cash and cash equivalents	<u>158,878</u>
 Total	 <u><u>\$ 18,507,231</u></u>
Deposits and investments	
Cash on hand	\$ 600
Bank deposits (checking, savings accounts and CDs)	14,953,477
Investments	<u>3,553,154</u>
 Total	 <u><u>\$ 18,507,231</u></u>

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.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

The District chooses to disclose its investments by specifically identifying each. At June 30, 2015, the District had the following investments:

Deposit / Investment	Maturity	Fair Value	Rating
Comerica Investment Pool	n/a	\$ 6,693	n/a
Money Market Funds	n/a	3,186,156	n/a
Michigan Liquid Asset Fund	n/a	<u>360,305</u>	S&P - AAAM
		<u>\$ 3,553,154</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.

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, \$14,515,061 of the District's bank balance of \$15,050,703 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.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

5. RECEIVABLES

Receivables as of year end consisted entirely of amounts due from other governments.

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated - Land	\$ 25,007	\$ -	\$ -	\$ 25,007
Capital assets, being depreciated:				
Land improvements	2,573,785	56,780	-	2,630,565
Buildings and improvements	23,531,799	685,620	-	24,217,419
Furniture and equipment	3,032,016	455,460	(272,901)	3,214,575
Transportation equipment	2,267,986	579,945	(550,175)	2,297,756
	<u>31,405,586</u>	<u>1,777,805</u>	<u>(823,076)</u>	<u>32,360,315</u>
Less accumulated depreciation for:				
Land improvements	(461,744)	(82,270)	-	(544,014)
Buildings and improvements	(15,193,486)	(596,861)	-	(15,790,347)
Furniture and equipment	(1,562,339)	(298,144)	254,403	(1,606,080)
Transportation equipment	(1,752,628)	(168,652)	547,327	(1,373,953)
	<u>(18,970,197)</u>	<u>(1,145,927)</u>	<u>801,730</u>	<u>(19,314,394)</u>
Total capital assets being depreciated, net	<u>12,435,389</u>	<u>631,878</u>	<u>(21,346)</u>	<u>13,045,921</u>
Governmental activities capital assets, net	<u>\$ 12,460,396</u>	<u>\$ 631,878</u>	<u>\$ (21,346)</u>	<u>\$ 13,070,928</u>

Depreciation expense of \$1,145,927 was reported on the statement of activities as "unallocated depreciation" (i.e., not allocated to functions/programs).

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

7. PAYABLES

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	\$ 640,342	\$ 176,776	\$ 106,798	\$ 14,901
Salaries payable	44,023	2,501,923	598,613	-
Due to other governments	105,825	419,446	101,142	-
Accrued expenditures	49,711	1,459,629	357,030	-
	<u>\$ 839,901</u>	<u>\$ 4,557,774</u>	<u>\$ 1,163,583</u>	<u>\$ 14,901</u>

	Nonmajor Governmental Funds	Total
Accounts payable	\$ 6,275	\$ 945,092
Salaries payable	-	3,144,559
Due to other governments	-	626,413
Accrued liabilities	-	1,866,370
	<u>\$ 6,275</u>	<u>\$ 6,582,434</u>

8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2015, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General	\$ 14,045	\$ 2,302,519
Special education	500,000	2,168,426
Career technical education	-	1,916,191
Recurring projects	5,887,136	-
Nonmajor governmental funds	-	14,045
	<u>\$ 6,401,181</u>	<u>\$ 6,401,181</u>

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

For the year ended June 30, 2015, interfund transfers consisted of the following:

	Transfers in	Transfers out
General	\$ 3,550,000	\$ 700,000
Special education	150,000	2,682,800
Career technical education	-	1,950,000
Recurring projects	1,550,000	-
Nonmajor governmental funds	82,800	-
	<u>\$ 5,332,800</u>	<u>\$ 5,332,800</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, 2015, the District transferred funds to provide funds for debt service and to return surplus special education and career technical education funds to the general fund. 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, 2015, are summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
2009 School Building & Site Bonds, due in annual installments of \$40,000 to \$75,000 through the year 2029; interest at 2.0%	\$ 830,000	\$ -	\$ (40,000)	\$ 790,000	\$ 40,000
Compensated absences	<u>171,592</u>	<u>115,850</u>	<u>(171,592)</u>	<u>115,850</u>	<u>115,850</u>
Total long-term debt	<u>\$ 1,001,592</u>	<u>\$ 115,850</u>	<u>\$ (211,592)</u>	<u>\$ 905,850</u>	<u>\$ 155,850</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

Future principal and interest payment requirements on outstanding debt are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 40,000	\$ 40,650	\$ 80,650
2017	40,000	38,750	78,750
2018	45,000	36,850	81,850
2019	45,000	34,713	79,713
2020	50,000	32,575	82,575
2021-2025	285,000	123,475	408,475
2026-2029	285,000	39,987	324,987
Totals	\$ 790,000	\$ 347,000	\$ 1,137,000

10. LEASE AGREEMENTS

The District maintains an operating lease agreement for 11 buses with an original balance of \$1,140,637. The future minimum lease obligation of these minimum lease payments as of June 30, 2015 are as follows:

Year	Amount
2016	\$ 206,118
2017	321,246
2018	<u>332,360</u>
	<u>\$ 859,724</u>

Rental expense on these leases was \$260,179 for the year ended June 30, 2015.

11. 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 three fiscal years.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

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 and are recorded in the General, Special Education and Career Technical Education funds. Changes in the estimated liability are as follows:

	2015	2014
Estimated liability, beginning of year	\$ 97,782	\$ 59,017
Estimated claims incurred, including changes in estimates	1,518,779	648,580
Claim payments	<u>(1,584,847)</u>	<u>(609,815)</u>
Estimated liability, end of year	<u>\$ 31,714</u>	<u>\$ 97,782</u>

12. 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.

13. RETIREMENT PLAN

General Information about the Pension Plan

Plan Description. The District contributes to the Michigan Public School Employees Retirement System ("MPERS"), a cost-sharing multiple-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems with oversight from a 12-member board. Benefit provisions are established and may be amended by state statute. The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report can be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

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

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

The *Member Investment Plan* (MIP) includes additional subgroups based on hire date. The *MIP Fixed* plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through June 30, 2008. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7%* plan.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are match at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (*Basic 4%*). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution* plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

Benefits Provided. MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or Age 60 with 10 years	10 years
Pension Plus	Age 60 with 10 years	4 years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 years

Contributions. Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. In addition, the District is invoiced monthly an amount that approximates 7.63% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. For the plan year ended September 30, 2015, an additional 1.13% MPSERS liability prepayment was invoiced as a one-time cost. Employer contribution requirements for pension inclusive of the MPSERS UAAL Stabilization and one-time prepayment rates, ranged from 29.72% to 34.54% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2015, inclusive of the MPSERS UAAL Stabilization and one-time prepayment, was \$8,427,315.

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, 2015, the District reported a liability of \$69,586,838 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At September 30, 2014, the District's proportion (as calculated by MPSERS) was 0.31592%.

For the year ended June 30, 2015, the District recognized pension expense of \$5,636,976. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 2,568,577	\$ -	\$ 2,568,577
Net difference between projected and actual earnings on pension plan investments	-	7,692,853	(7,692,853)
	<u>2,568,577</u>	<u>7,692,853</u>	<u>(5,124,276)</u>
District contributions subsequent to the measurement date	7,739,217	-	7,739,217
	<u>7,739,217</u>	<u>-</u>	<u>7,739,217</u>
Total	<u>\$ 10,307,794</u>	<u>\$ 7,692,853</u>	<u>\$ 2,614,941</u>

The amount of deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (1,255,310)
2017	(1,255,310)
2018	(1,255,310)
2019	<u>(1,358,346)</u>
Total	<u>\$ (5,124,276)</u>

Actuarial Assumptions. The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return	8.0% (7.0% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

The mortality table used in this valuation was the RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	4.80%	1.34%
Private equity pools	18.00%	8.50%	1.53%
International equity pools	16.00%	6.10%	0.98%
Fixed income pools	10.50%	1.50%	0.16%
Real estate and infrastructure pools	10.00%	5.30%	0.53%
Real return, opportunistic, and absolute pools	15.50%	6.30%	0.98%
Short-term investment pools	2.00%	-0.20%	-0.02%
	<u>100.00%</u>		5.50%
Inflation			<u>2.50%</u>
Investment rate of return			<u>8.00%</u>

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District, calculated using the discount rate of 8.0%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1 percent higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	\$ 91,774,186	\$ 69,586,838	\$ 50,918,945

Pension Plan Fiduciary Net Position. Detailed information about the pension 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, 2015, the District reported a payable of \$1,351,862 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2015.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the Premium Subsidy plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the Personal Healthcare Fund. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The District's contributions to MPSERS for other postemployment benefits amounted to \$864,360 for the year ended June 30, 2015.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Financial Statements

14. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2015, net investment in capital assets was comprised of the following:

Net investment in capital assets	
Capital assets not being depreciated	\$ 25,007
Capital assets being depreciated, net	13,045,921
Bonds payable	<u>(790,000)</u>
Total net investment in capital assets	<u>\$ 12,280,928</u>

15. RESTATEMENT

The District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by \$68,541,450.



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, 2015
District's proportion of the net pension liability	0.31592%
District's proportionate share of the net pension liability	\$ 69,586,838
District's covered-employee payroll	23,907,307
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	291.07%
Plan fiduciary net position as a percentage of the total pension liability	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District Contributions

	Year Ended June 30, 2015
Contractually required contribution	\$ 8,427,315
Contributions in relation to the contractually required contribution	<u>(8,427,315)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 23,907,307
Contributions as a percentage of covered employee payroll	35.2%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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COMBINING FUND STATEMENTS

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

	Special Revenue	Debt Service	Capital Projects	
	Training Assistance	2009 Debt Service	Technology	Totals
Assets				
Cash and cash equivalents	\$ 659,500	\$ -	\$ 220,960	\$ 880,460
Due from other governments	11,425	-	83,870	95,295
Total assets	<u>\$ 670,925</u>	<u>\$ -</u>	<u>\$ 304,830</u>	<u>\$ 975,755</u>
Liabilities				
Accounts payable	\$ 4,247	\$ -	\$ 2,028	\$ 6,275
Due to other funds	14,045	-	-	14,045
Total liabilities	18,292	-	2,028	20,320
Deferred inflows of resources				
Unavailable receivables	-	-	71,465	71,465
Fund balances				
Restricted	<u>652,633</u>	<u>-</u>	<u>231,337</u>	<u>883,970</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 670,925</u>	<u>\$ -</u>	<u>\$ 304,830</u>	<u>\$ 975,755</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, 2015

	Special Revenue	Debt Service	Capital Projects	
	Training Assistance	2009 Debt Service	Technology	Totals
Revenues				
Local revenue:				
Tuition	\$ 8,400	\$ -	\$ -	\$ 8,400
Earnings on investments and deposits	-	-	813	813
Other	2,564	-	49,124	51,688
State revenue	71,719	-	-	71,719
Total revenues	82,683	-	49,937	132,620
Expenditures				
Supporting services	60,251	-	-	60,251
Debt service:				
Principal	-	40,000	-	40,000
Interest and fiscal charges	-	42,800	-	42,800
Capital outlay - Technology capital improvements	-	-	61,091	61,091
Total expenditures	60,251	82,800	61,091	204,142
Revenues over (under) expenditures	22,432	(82,800)	(11,154)	(71,522)
Other financing sources				
Transfers in	-	82,800	-	82,800
Net change in fund balances	22,432	-	(11,154)	11,278
Fund balances, beginning of year	630,201	-	242,491	872,692
Fund balances, end of year	\$ 652,633	\$ -	\$ 231,337	\$ 883,970

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SINGLE AUDIT ACT COMPLIANCE

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**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

October 27, 2015

To the Board of Education
Jackson County Intermediate School District
Jackson, Michigan

We have audited 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 27, 2015, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rehmann Robson LLC

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JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Awards Amount
U.S. Department of Agriculture				
2012-2013 Michigan Nutrition Network - SPLASH	10.561	Direct	-n/a-	\$ 181,798
U.S. Department of Education				
2012-2013 Title I Regional Assistance	84.010	MDE	131570-1213	30,000
2013-2014 Title I Regional Assistance	84.010	MDE	141570-1314	270,000
2014-2015 Title I Regional Assistance	84.010	MDE	151570-1415	504,437
2013-2014 Multi Tier System of Supports/Response to Intervention	84.010A	MAISA	2013-2014	9,465
2014-2015 Multi Tier System of Supports/Response to Intervention	84.010A	MAISA	2014-2015	10,643
Special Education Cluster:				
2012-2013 IDEA Flowthrough	84.027A	MDE	130450-1213	5,754,711
2013-2014 IDEA Flowthrough	84.027A	MDE	140450-1314	5,532,383
2014-2015 IDEA Flowthrough	84.027A	MDE	150450-1415	5,586,626
2013-2014 State Initiated / Competitive EOSD	84.027A	MDE	140480-EOSD	50,000
2014-2015 State Initiated / Competitive EOSD	84.027A	MDE	150480-EOSD	50,000
2013-2014 State Initiated / Department TS	84.027A	MDE	140490-TC	65,000
2014-2015 State Initiated / Department TS	84.027A	MDE	150490-TC	65,000
2012-2013 Preschool Incentive	84.173A	MDE	130460-1213	227,245
2013-2014 Preschool Incentive	84.173A	MDE	140460-1314	217,373
2014-2015 Preschool Incentive	84.173A	MDE	150460-1415	217,184
2013-2014 Perkins	84.048A	HCISD	-n/a-	290,168
2014-2015 Perkins	84.048A	HCISD	-n/a-	321,035
2013-2014 Infant and Toddler Formula	84.181A	MDE	141340-1314	154,498
2014-2015 Infant and Toddler Formula	84.181A	MDE	151340-1415	162,996
2009-2010 McKinney-Vento Homeless Education	84.196A	MDE	102320-0910	-
2011-2012 McKinney-Vento Homeless Education	84.196A	MDE	122320-1112	56,861
2012-2013 McKinney-Vento Homeless Education	84.196A	MDE	132320-1213	71,526
2013-2014 McKinney-Vento Homeless Education	84.196A	MDE	142320-1314	75,845
2014-2015 McKinney-Vento Homeless Education	84.196A	MDE	152320-1415	48,506

Accrued (Unearned) Revenue at July 1, 2014	Federal Funds / Payments In-Kind Received	Expenditures (Memo Only) Prior Year(s)	Expenditures	Accrued (Unearned) Revenue at June 30, 2015
\$ -	\$ -	\$ 17,833	\$ -	\$ -
-	-	12,537	-	-
18,463	85,336	173,335	66,873	-
-	245,339	-	303,870	58,531
-	-	9,465	-	-
-	10,643	-	10,643	-
<u>18,463</u>	<u>341,318</u>	<u>195,337</u>	<u>381,386</u>	<u>58,531</u>
1,175	1,175	1,175	-	-
665,007	1,079,092	5,118,298	414,085	-
-	4,902,112	-	5,351,282	449,170
19,654	19,654	50,000	-	-
-	34,172	-	45,562	11,390
6,661	6,661	65,000	-	-
-	49,048	-	65,000	15,952
-	-	72,662	-	-
48,145	129,446	136,072	81,301	-
-	90,592	-	142,456	51,864
<u>740,642</u>	<u>6,311,952</u>	<u>5,443,207</u>	<u>6,099,686</u>	<u>528,376</u>
54,990	54,990	290,168	-	-
-	243,480	-	316,269	72,789
<u>54,990</u>	<u>298,470</u>	<u>290,168</u>	<u>316,269</u>	<u>72,789</u>
103,259	103,259	154,498	-	-
-	162,996	-	162,996	-
<u>103,259</u>	<u>266,255</u>	<u>154,498</u>	<u>162,996</u>	<u>-</u>
(6,530)	-	-	-	(6,530)
-	-	165	-	-
9,536	10,541	16,237	1,005	-
8,602	20,373	50,314	14,990	3,219
-	15,589	-	31,202	15,613
<u>11,608</u>	<u>46,503</u>	<u>66,716</u>	<u>47,197</u>	<u>12,302</u>

continued...

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Awards Amount
U.S. Department of Education (concluded)				
2012-2013 Title II, Part A Regular	84.367	MDE	13052-1213	\$ 937
Mathematics and Science Partnerships	84.366B	LISD	-n/a-	189,642
2013-2014 Reading Recovery	84.396A	OU	-n/a-	9,877
2014-2015 Reading Recovery	84.396A	OU	-n/a-	2,066
Substance Abuse and Mental Health Services	93.243	MDE	152730	424,483
2014-2015 Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	MDE	153QUA	75,000
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Medicaid Administrative Outreach 14-15	93.778	MDE	-n/a-	181,640
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.



Accrued (Unearned) Revenue at July 1, 2014	Federal Funds / Payments In-Kind Received	Expenditures (Memo Only) Prior Year(s)	Expenditures	Accrued (Unearned) Revenue at June 30, 2015
\$ 937	\$ 937	\$ 937	\$ -	\$ -
-	-	-	3,795	3,795
-	9,877	-	9,877	-
-	19,805	-	2,066	(17,739)
-	29,682	-	11,943	(17,739)
-	23,440	-	52,464	29,024
-	41,270	-	53,651	12,381
929,899	7,359,827	6,150,863	7,129,387	699,459
-	79,894	92,560	79,894	-
\$ 929,899	\$ 7,439,721	\$ 6,261,256	\$ 7,209,281	\$ 699,459

concluded.

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

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, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 included 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.

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
MDE	Michigan Department of Education
MAISA	Michigan Association of Intermediate School Administrators
HCISD	Hillsdale County Intermediate School District
LISD	Lenawee Intermediate School District
OU	Oakland University

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

4. SUBRECIPIENTS

The reporting entity of the Jackson County Intermediate School District is defined in Note I of the District's basic financial statements. The District administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the District's reporting entity. Of the federal expenditures presented in the schedule, the District provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
MTSS/RTI Grant	84.010A	\$ 5,657
McKinney-Vento Homeless Grant	84.196A	<u>44,318</u>
		<u>\$ 49,975</u>

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JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Schedule of Federal Sub-Grantee Recipients

For the Year Ended June 30, 2015

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Current Year Expenditures
2014-15 Multi Tier System of Supports/Response to Intervention Grant 13158	84.010A	
Springport Public School		\$ 1,200
Western School District		4,457
		<u>5,657</u>
		<u>\$ 5,657</u>
2013-14 McKinney-Vento Homeless Grant 132320	84.196A	
Columbia School District		\$ 543
		<u>543</u>
		<u>\$ 543</u>
2014-15 McKinney-Vento Homeless Grant 142320	84.196A	
Jackson Public Schools		\$ 3,568
Concord Community Schools		2,072
Michigan Center School District		2,501
Northwest Community Schools		3,588
Springport Public Schools		1,152
Vandercook Lake Public Schools		36
Western School District		795
DaVinci Primary Schools		169
		<u>13,881</u>
		<u>\$ 13,881</u>
2014-15 McKinney-Vento Homeless Grant 152320	84.196A	
Jackson Public Schools		\$ 9,213
Columbia School District		277
East Jackson Public Schools		2,645
Hanover Horton Community Schools		1,271
Michigan Center School District		123
Napoleon Community Schools		187
Northwest Community Schools		665
Springport Public Schools		173
Vandercook Lake Public Schools		989
Western School District		8,415
DaVinci Primary Schools		5,861
Paragon		75
		<u>29,894</u>
		<u>\$ 29,894</u>

**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***

October 27, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 27, 2015.

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) to determine the 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 determination of financial statement amounts. 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 Lohman LLC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

October 27, 2015

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 *2 CFR 200 Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 MB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 a 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 each of its major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2015.

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 its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann 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, 2015

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 programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200? _____ yes X no

Identification of major programs:

CFDA Number

84.027A & 84.173A
84.010
84.048

Name of Federal Program or Cluster

Special Education Cluster
Title I, Part A
Career and Technical Education -
Basic Grants to States

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

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, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2015

2014-SA-01 - Documentation of Personnel Costs in Accordance with OMB Circular A-87

The District did not have supporting documentation for certain employees which included personnel activity reports or semiannual certifications. The District has implemented procedures that require employees to complete personnel activity reports for each pay period showing hours worked on each program or to prepare a semiannual certification. This finding has been adequately resolved.



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