



Year Ended  
June 30, 2018

Financial  
Statements and  
Single Audit Act  
Compliance

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# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

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# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

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**INDEPENDENT AUDITORS' REPORT**

October 22, 2018

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, 2018, 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, 2018, and the respective changes in financial position, and where applicable, cash flows 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. 75*

As described in Note 16, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

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

### *Other Information*

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

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 by us 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 22, 2018, 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 Rohson 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

Jackson County Intermediate School District (the "District"), is one of Michigan's 56 intermediate school Districts, created by the state legislature in 1962 to provide regional services to local schools. The District provides direct or indirect services to the approximately 24,000 students in Jackson County from all 12 public school districts, 3 local charter schools and various parochial schools in the county. These include special education services, professional development and curriculum support for teachers and administrative staff throughout the county, career and technical education through the Jackson Area Career Center, technology services, pupil accounting and other student information services, 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, 2018. The management's discussion and analysis is provided at the beginning of the audit to provide an overview of the past and current position of the District's financial condition. This summary should not be taken as a replacement for the complete set of audited financial statements and other supplemental information that presents in greater detail the District's revenues and expenditures by program and fund.

### Financial Highlights

· Total net position	\$(66,764,457)
· Change in total net position	1,272,088
· Fund balances, governmental funds	21,117,091
· Change in fund balances, governmental funds	1,898,246
· Unassigned fund balance, general fund	2,667,513
· Change in fund balance, general fund	(357,286)
· Installment debt outstanding	665,000
· Change in installment debt	(45,000)

### Overview of the Financial Statements

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. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

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

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

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

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

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

**Fiduciary Funds.** The District is the trustee, or fiduciary, for assets that belong to others, such as student activities funds and the Imagination Library 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.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the above required supplementary information.

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$66,764,457 at the close of the most recent fiscal year.

	Net Position	
	Governmental Activities	
	2018	2017
Current and other assets	\$ 30,812,011	\$ 28,303,779
Capital assets, net	14,355,187	13,921,697
<b>Total assets</b>	<b>45,167,198</b>	<b>42,225,476</b>
<b>Deferred outflows of resources</b>	<b>25,947,217</b>	<b>14,494,332</b>
Long-term debt	847,320	881,634
Current and other liabilities	131,145,001	93,396,361
<b>Total liabilities</b>	<b>131,992,321</b>	<b>94,277,995</b>
<b>Deferred inflows of resources</b>	<b>5,886,551</b>	<b>252,228</b>
Net position:		
Net investment in capital assets	13,690,187	13,211,697
Restricted	16,801,284	14,545,752
Unrestricted (deficit)	(97,255,928)	(65,567,864)
<b>Total net position</b>	<b>\$(66,764,457)</b>	<b>\$(37,810,415)</b>

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPERS net pension liability and net other postemployment benefit liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of \$66,764,457. Of this amount, \$(97,255,928) is unrestricted net position (deficit) and \$16,801,284 represents resources that are subject to external restrictions on how they may be used. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

The results of this year's operations for the District as a whole are reported in the statement of activities. The following table takes the information from that statement and rearranges them slightly to show the change in net position for the year which was an increase of \$1,272,088. In the following table the reader can also easily see the District's total revenues for the year by major source as well as the total expenses for the year by major function.

	Changes in Net Position	
	Governmental Activities	
	2018	2017
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 213,822	\$ 228,015
Operating grants and contributions	18,789,633	19,122,428
General revenues:		
Property taxes	38,735,071	37,902,144
Unrestricted state aid	15,878,354	14,654,651
Other general revenue	5,243,214	5,127,445
<b>Total revenues</b>	<u>78,860,094</u>	<u>77,034,683</u>
<b>Expenses</b>		
Instruction	19,105,441	19,495,163
Supporting services	40,352,849	39,312,237
Community services	888,186	225,450
Payments to other governments	15,735,199	15,910,135
Interest on long-term debt	37,100	38,999
Unallocated depreciation	1,469,231	1,387,703
<b>Total expenses</b>	<u>77,588,006</u>	<u>76,369,687</u>
<b>Change in net position</b>	1,272,088	664,996
Net position:		
Beginning of year	(37,810,415)	(38,475,411)
Restatement for implementation of GASB 75	(30,226,130)	-
<b>End of year</b>	<u>\$(66,764,457)</u>	<u>\$(37,810,415)</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 (25%), providing services for pupils (52%) 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 ratio of support services is consistent with the purpose of intermediate school districts, which is to provide support programs to all local school districts in the County in order to more efficiently and effectively educate every student.

### Analysis of the District's Budget and Operating Results

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

During the fiscal year ended June 30, 2018, the District amended the budgets of the General, Special Education and Career Technical Education Funds one time to reflect changes in both revenues and expenditures from the assumptions that were made when the budget was originally developed. A brief review of each fund's performance is provided below.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

**General Fund.** As summarized below, during the 2018 fiscal year the General Fund had total revenues and transfers in of \$18,000,015 and total expenditures and transfers out of \$18,357,301. As a result, the fund balance at year-end decreased by \$357,286 to a total of \$4,315,807.

Summary of General Fund Performance			
For the Year Ended June 30, 2018			
	Original Budget	Final Budget	Actual Results
Total revenues and transfers in	\$ 17,746,643	\$ 18,270,447	\$ 18,000,015
Total expenditures and transfers out	(18,044,643)	(18,692,514)	(18,357,301)
Net change in fund balance	(298,000)	(422,067)	(357,286)
Fund balance -			
Beginning of year	4,673,093	4,673,093	4,673,093
End of year	\$ 4,375,093	\$ 4,251,026	\$ 4,315,807

The General Fund actual revenues and transfers in were higher than the original budget, but lower than the amended budget. The General Fund actual expenditures and transfers out were higher than the original budget, but lower than the amended budget. Grant related spending and the timing of revenue and expenditure recognition associated with grants accounted for some of the variance, and the remainder of the variance was due to careful spending by the district. The net result realized was an increase in the ending fund balance for the General Fund which at the end of the year was slightly above the target range established by the Board of Education for the General Fund, excluding the amount assigned for use by the Tech Consortium.

**Special Education Fund.** As summarized below, during the 2018 fiscal year the Special Education Fund had total revenues and transfers in of \$51,100,106 and total expenditures and transfers out of \$51,383,945. As a result the fund balance at year-end decreased by \$283,839 to a total of \$3,819,277.

Summary of Special Ed Fund Performance			
For the Year Ended June 30, 2018			
	Original Budget	Final Budget	Actual Results
Total revenues and transfers in	\$ 50,127,560	\$ 51,420,296	\$ 51,100,106
Total expenditures and transfers out	(51,117,560)	(51,789,412)	(51,383,945)
Net change in fund balance	(990,000)	(369,116)	(283,839)
Fund balance -			
Beginning of year	4,103,116	4,103,116	4,103,116
End of year	\$ 3,113,116	\$ 3,734,000	\$ 3,819,277

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

The Special Education Fund actual revenues and transfers in were higher than the original budget, but lower than the amended budget. The Special Education Fund actual expenditures and transfers out were higher than the original budget, but lower than the amended budget. The lower expenditures compared to budget were in purchased materials and supplies, energy costs, and personnel costs. As a result, the Special Ed Fund had a surplus for the year and the ending fund balance improved compared to the prior year. These favorable results in the Special Ed Fund were shared with the local school districts in the county through an unbudgeted, additional Special Education reimbursement payment from the ISD to each local district at year-end. The ISD is also further investing in the educational programming for our special needs students including the creation of a new center based program for emotionally impaired students.

**Career Technical Education Fund.** As summarized below, during the 2018 fiscal year the Career Technical Education Fund had total revenues and transfers in of \$13,048,196 and total expenditures and transfers out of \$13,069,466. As a result the fund balance at year-end decreased by \$21,270 to a total of \$2,822,168.

Summary of Career Technical Education Fund Performance			
For the Year Ended June 30, 2018			
	Original Budget	Final Budget	Actual Results
Total revenues and transfers in	\$ 12,408,771	\$13,113,067	\$13,048,196
Total expenditures and transfers out	(12,841,771)	(13,045,089)	(13,069,466)
Net change in fund balance	(433,000)	67,978	(21,270)
Fund balance -			
Beginning of year	2,843,438	2,843,438	2,843,438
End of year	\$ 2,410,438	\$ 2,911,416	\$ 2,822,168

The Career Technical Education Fund actual revenues and transfers in were higher than the original budget and lower than the amended budget. The Career Technical Education Fund actual expenditures and transfers out were higher than the original and amended budgets. This resulted in a decrease in fund balance for the year, but not nearly as large of a decrease as had been originally budgeted. The ending fund balance is within the target range established by the Board of Education for the Career and Technical Education Fund.

**Recurring Projects Fund.** During the 2018 fiscal year the Recurring Projects Fund had no revenues, but had transfers in of \$3,100,000. Total expenditures out of the Recurring Projects Fund for the 2018 fiscal year were \$840,432. As a result the fund balance at year-end increased by \$2,259,568 to a total of \$8,662,080, all of which is restricted for capital projects.

### Capital Assets and Debt Administration

**Capital Assets.** At the end of the 2017-18 fiscal year, the District had \$36,738,699 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and transportation equipment, an increase of \$1,535,029 from the previous year. During 2017-18, there was depreciation of \$1,469,231 resulting in total accumulated depreciation as of June 30, 2018, of \$22,383,512. This yields a net book value of the District's capital assets of \$14,355,187 at June 30, 2018, an increase of \$433,490 over the previous year.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

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

**Long-term Debt.** The District has long-term bonds of \$665,000 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 continues to be impacted by many factors at the local, state and national level. The need for flexibility and adaptability are important in this ever changing environment. State and federal legislation recently passed or currently being discussed could impact school funding, employee benefits, and areas of educational program emphasis. There are new studies looking at the adequacy of school funding in Michigan. Debates continue regarding the educational achievement of public versus charter versus private schools and how the performance of these different schools should or should not impact schools of choice and school funding. Advocates push for and against consolidation of school services, schools themselves and even entire school districts. Some of the key areas which may bring specific challenges to the JCISD in the near future include, but are not limited to, the following:

- **Service Role of ISD's:** For many years the Jackson County ISD has viewed its primary purpose as servicing the local school districts in the communities of Jackson County. A primary area of focus for the JCISD, and most other ISD's in Michigan, has been and continues to be Special Education services. Over recent years however, the types of service the JCISD provides have expanded significantly to now include support in many non-instructional areas such as technology, finance, student data reporting, and other operational areas. Educational related programs in which intermediate school districts seem to be growing include early childhood programming, reading proficiency, vocational training and career readiness. There is growing awareness of the need for education, business and community to come together to ensure that young people are prepared to make the transition from student to work force, and the JCISD is taking a leadership role in such initiatives within the Jackson community. Several new programs have recently started which involve a partnership among K-12 education, higher education, business and the broader community. The JCISD has been a key player in most of these initiatives, and more exciting opportunities are on the horizon.
- **Local Property Tax Revenue:** There has been a significant improvement in the real estate market of Jackson County and property values have increased significantly the past few years. This follows a recessionary period of several years in a row of declining and then stagnant property values. Unfortunately for schools, the Headlee Amendment caps the increase in property values to the level of overall inflation which remains low. As a result, the State Equalized Value of a particular property may increase significantly, but the Taxable Value of that property on which school district mills are levied, grows much more slowly. The JCISD also continues to be impacted by property tax refunds it is required to make as a result of Michigan Tax Tribunal (MTT) decisions reducing the value of both residential and commercial properties. The number of these cases has declined quite a bit in the past couple years, however there are still a few "big box" stores and racing facilities that have filed or are filing higher dollar value claims using the "dark store" approach that could result in the District having to pay large property tax refunds for past years as well as reducing the District's property tax revenue going forward.



# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

**2018 Elections:** The State of Michigan will elect a new Governor in November 2018 and, following 8 years of Governor Snyder, someone else will take office as Governor in 2019. Many new state representatives and state senators are also expected to be elected, in part due to term limits. A new State Superintendent of Education is also expected to be named sometime after the election. As a result, some change to the direction and priorities of education within Michigan are very likely, but how much change remains to be seen. Politics in Washington have become quite divisive. One party has controlled both Houses of Congress for several years and, for the past two years, the Oval Office. There is lots of speculation about control of one or both Houses of Congress possibly changing parties as has sometimes happened in "midterm elections" in the past. Whether this happens again remains to be seen. Health care insurance and labor laws are two specific legislative areas that impact the JCISD (and all employers) that could head in differing directions depending upon which party controls the House and Senate following the November 2018 elections.

**Labor Relations:** The JCISD has had a good working relationship in the past with all of its union partners and employees, and the district expects this to continue into the future. The labor contract with one of the district's represented groups expires December 31, 2018 but a tentative new contract agreement has already been reached. The contract with another represented group will expire June 30, 2019. The contracts for the other two represented groups are set to expire December 31, 2020. Each year the District typically makes minor updates to its handbook covering the non-represented group of administration employees. This is noted for the readers' information only and not to point out any expected issue or concern.

### Contacting the District's Financial Management

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

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## BASIC FINANCIAL STATEMENTS

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Net Position

June 30, 2018

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 23,016,262
Investments	827,934
Receivables	5,881,460
Prepaid items and other assets	1,086,355
Capital assets not being depreciated	222,105
Capital assets being depreciated, net	<u>14,133,082</u>
<b>Total assets</b>	<u>45,167,198</u>
<b>Deferred outflows of resources</b>	
Deferred pension amounts	23,974,459
Deferred other postemployment benefit amounts	<u>1,972,758</u>
<b>Total deferred outflows of resources</b>	<u>25,947,217</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	7,738,890
Unearned revenue	1,672,478
Long-term debt:	
Due within one year	227,320
Due in more than one year	620,000
Net pension liability	90,724,262
Net other postemployment benefit liability	<u>31,009,371</u>
<b>Total liabilities</b>	<u>131,992,321</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	4,838,208
Deferred other postemployment benefit amounts	<u>1,048,343</u>
<b>Total deferred inflows of resources</b>	<u>5,886,551</u>
<b>Net position</b>	
Net investment in capital assets	13,690,187
Restricted for:	
Special education	3,819,277
Career technical education	2,822,168
Training assistance	721,553
Capital projects	9,438,286
Unrestricted (deficit)	<u>(97,255,928)</u>
<b>Total net position</b>	<u>\$ (66,764,457)</u>

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Activities

For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Instruction	\$ 19,105,441	\$ -	\$ 12,482,519	\$ (6,622,922)
Supporting services	40,352,849	213,822	6,307,114	(33,831,913)
Community services	888,186	-	-	(888,186)
Payments to other governments	15,735,199	-	-	(15,735,199)
Interest on long-term debt	37,100	-	-	(37,100)
Unallocated depreciation	1,469,231	-	-	(1,469,231)
<b>Total governmental activities</b>	<u>\$ 77,588,006</u>	<u>\$ 213,822</u>	<u>\$ 18,789,633</u>	<u>(58,584,551)</u>
<b>General revenues</b>				
Property taxes				38,735,071
Unrestricted state aid				15,878,354
Grants and contributions not restricted to specific programs				5,034,420
Unrestricted earnings on investment and deposits				<u>208,794</u>
<b>Total general revenues</b>				<u>59,856,639</u>
<b>Change in net position</b>				1,272,088
Net position, beginning of year, as restated				<u>(68,036,545)</u>
<b>Net position, end of year</b>				<u>\$ (66,764,457)</u>

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Balance Sheet

Governmental Funds

June 30, 2018

	General	Special Education	Career Technical Education
<b>Assets</b>			
Cash and cash equivalents	\$ 7,900,182	\$ 8,061,727	\$ 4,861,311
Investments	-	5,713	822,221
Due from other governments	1,618,831	3,759,636	419,320
Due from other funds	9,400	-	-
Prepaid items	841,778	4,218	4,929
Land held for resale	-	-	235,430
<b>Total assets</b>	<b>\$ 10,370,191</b>	<b>\$ 11,831,294</b>	<b>\$ 6,343,211</b>
<b>Liabilities</b>			
Accounts payable	\$ 863,656	\$ 384,814	\$ 65,247
Salaries payable	48,165	2,774,270	579,669
Accrued liabilities	40,610	1,496,853	313,139
Due to other governments	183,196	664,458	151,231
Due to other funds	3,767,490	2,690,790	2,374,658
Unearned revenue	1,147,793	832	33,853
<b>Total liabilities</b>	<b>6,050,910</b>	<b>8,012,017</b>	<b>3,517,797</b>
<b>Deferred inflows of resources</b>			
Unavailable receivables	3,474	-	3,246
<b>Fund balances</b>			
Nonspendable:			
Prepaid items	841,778	4,218	4,929
Restricted for:			
Special education	-	3,815,059	-
Career technical education	-	-	2,817,239
Training assistance	-	-	-
Capital projects:			
Projects	-	-	-
Technology	-	-	-
Assigned:			
Technical consortium	752,500	-	-
Challenge day	54,016	-	-
Unassigned	2,667,513	-	-
<b>Total fund balances</b>	<b>4,315,807</b>	<b>3,819,277</b>	<b>2,822,168</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 10,370,191</b>	<b>\$ 11,831,294</b>	<b>\$ 6,343,211</b>

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



Recurring Projects	Nonmajor Governmental Funds	Totals
\$ -	\$ 1,989,694	\$ 22,812,914
-	-	827,934
-	13,689	5,811,476
8,832,938	-	8,842,338
-	-	850,925
-	-	235,430
<u>\$ 8,832,938</u>	<u>\$ 2,003,383</u>	<u>\$ 39,381,017</u>
\$ 170,858	\$ 2,724	\$ 1,487,299
-	-	3,402,104
-	-	1,850,602
-	-	998,885
-	9,400	8,842,338
-	490,000	1,672,478
<u>170,858</u>	<u>502,124</u>	<u>18,253,706</u>
-	3,500	10,220
-	-	850,925
-	-	3,815,059
-	-	2,817,239
-	721,553	721,553
8,662,080	-	8,662,080
-	776,206	776,206
-	-	752,500
-	-	54,016
-	-	2,667,513
<u>8,662,080</u>	<u>1,497,759</u>	<u>21,117,091</u>
<u>\$ 8,832,938</u>	<u>\$ 2,003,383</u>	<u>\$ 39,381,017</u>

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# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2018

Fund balances - total governmental funds	\$ 21,117,091
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	222,105
Capital assets being depreciated, net	14,133,082
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	10,220
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	273,332
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	(665,000)
Compensated absences	(182,320)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, the net other postemployment benefit liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(90,724,262)
Deferred outflows related to the net pension liability	23,974,459
Deferred inflows related to the net pension liability	(4,838,208)
Net other postemployment benefit liability	(31,009,371)
Deferred outflows related to the net other postemployment benefit liability	1,972,758
Deferred inflows related to the net other postemployment benefit liability	(1,048,343)
<b>Net position of governmental activities</b>	<b><u><u>\$ (66,764,457)</u></u></b>

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, 2018

	General	Special Education	Career Technical Education
<b>Revenues</b>			
Local sources	\$ 5,691,118	\$ 30,046,061	\$ 10,129,759
State sources	7,733,845	14,480,954	2,553,622
Federal sources	1,025,052	6,419,881	303,467
<b>Total revenues</b>	<b>14,450,015</b>	<b>50,946,896</b>	<b>12,986,848</b>
<b>Expenditures</b>			
Current:			
Instruction	31,947	12,023,059	6,686,054
Supporting services	11,816,903	25,283,419	3,409,596
Community services	348,410	324,273	210,862
Payments to other governments	4,497,639	10,921,094	310,798
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay -			
Technology capital improvements	-	-	-
<b>Total expenditures</b>	<b>16,694,899</b>	<b>48,551,845</b>	<b>10,617,310</b>
Revenues over (under) expenditures	(2,244,884)	2,395,051	2,369,538
<b>Other financing sources (uses)</b>			
Transfers in	3,550,000	153,210	61,348
Transfers out	(1,662,402)	(2,832,100)	(2,452,156)
<b>Total other financing sources (uses)</b>	<b>1,887,598</b>	<b>(2,678,890)</b>	<b>(2,390,808)</b>
<b>Net change in fund balances</b>	<b>(357,286)</b>	<b>(283,839)</b>	<b>(21,270)</b>
Fund balances, beginning of year	4,673,093	4,103,116	2,843,438
<b>Fund balances, end of year</b>	<b>\$ 4,315,807</b>	<b>\$ 3,819,277</b>	<b>\$ 2,822,168</b>

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



Recurring Projects	Nonmajor Governmental Funds	Totals
\$ -	\$ 365,284	\$ 46,232,222
-	97,759	24,866,180
-	-	7,748,400
-	463,043	78,846,802
-	-	18,741,060
840,432	59,963	41,410,313
-	-	883,545
-	-	15,729,531
-	45,000	45,000
-	37,100	37,100
-	102,007	102,007
840,432	244,070	76,948,556
(840,432)	218,973	1,898,246
3,100,000	82,100	6,946,658
-	-	(6,946,658)
3,100,000	82,100	-
2,259,568	301,073	1,898,246
6,402,512	1,196,686	19,218,845
\$ 8,662,080	\$ 1,497,759	\$ 21,117,091

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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, 2018

Net change in fund balances - total governmental funds	\$ 1,898,246
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital assets purchased/constructed	1,895,321
Capital assets donated	7,400
Depreciation expense	(1,469,231)
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	4,849
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	
Principal payments on long-term debt	45,000
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	(1,301,746)
Change in the net other postemployment benefit liability and related deferred amounts	141,174
Change in the accrual for compensated absences	(10,686)
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>61,761</u>
Change in net position of governmental activities	<u>\$ 1,272,088</u>

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2018

With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018				2017 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
<b>Revenues</b>					
Local sources:					
Property tax levy	\$ 1,475,000	\$ 1,515,865	\$ 1,516,450	\$ 585	\$ 1,484,595
Earnings on investments and deposits	20,000	56,000	62,055	6,055	29,425
Rentals	13,500	15,533	15,883	350	15,995
Other	4,051,243	4,036,350	4,096,730	60,380	4,082,791
<b>Total local sources</b>	<b>5,559,743</b>	<b>5,623,748</b>	<b>5,691,118</b>	<b>67,370</b>	<b>5,612,806</b>
State sources:					
State school aid	2,772,600	3,006,729	3,037,642	30,913	2,800,451
Other	5,006,300	5,044,814	4,696,203	(348,611)	5,093,406
<b>Total state sources</b>	<b>7,778,900</b>	<b>8,051,543</b>	<b>7,733,845</b>	<b>(317,698)</b>	<b>7,893,857</b>
Federal sources:					
Title I	300,000	566,813	384,923	(181,890)	386,040
Title II	-	46	46	-	1,883
Other	558,000	478,297	640,083	161,786	433,224
<b>Total federal sources</b>	<b>858,000</b>	<b>1,045,156</b>	<b>1,025,052</b>	<b>(20,104)</b>	<b>821,147</b>
<b>Total revenues</b>	<b>14,196,643</b>	<b>14,720,447</b>	<b>14,450,015</b>	<b>(270,432)</b>	<b>14,327,810</b>
<b>Expenditures</b>					
Instruction -					
Instructional basic	2,000	1,700	31,947	30,247	11,627
Supporting services:					
Pupil support	167,770	289,729	295,195	5,466	256,100
Instructional support	2,988,210	2,750,285	2,684,105	(66,180)	3,083,930
General administration	531,030	628,890	615,391	(13,499)	501,602
Business services	1,884,855	1,851,136	1,837,429	(13,707)	1,646,734
Operations and maintenance	830,200	569,925	529,921	(40,004)	502,121
Central services	6,380,208	6,113,284	5,854,862	(258,422)	5,735,095
<b>Total supporting services</b>	<b>12,782,273</b>	<b>12,203,249</b>	<b>11,816,903</b>	<b>(386,346)</b>	<b>11,725,582</b>
Community services	338,640	391,545	348,410	(43,135)	259,435
Payments to other governments	4,921,730	4,833,618	4,497,639	(335,979)	4,720,709
<b>Total expenditures</b>	<b>18,044,643</b>	<b>17,430,112</b>	<b>16,694,899</b>	<b>(735,213)</b>	<b>16,717,353</b>
<b>Revenues over (under) expenditures</b>	<b>(3,848,000)</b>	<b>(2,709,665)</b>	<b>(2,244,884)</b>	<b>464,781</b>	<b>(2,389,543)</b>

continued...

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2018

With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			Over (under) Final Budget	2017 Actual
	Original Budget	Final Budget	Actual		
<b>Other financing sources (uses)</b>					
Transfers in	\$ 3,550,000	\$ 3,550,000	\$ 3,550,000	\$ -	\$ 3,550,000
Transfers out	-	(1,262,402)	(1,662,402)	400,000	(97,956)
<b>Total other financing sources</b>	<u>3,550,000</u>	<u>2,287,598</u>	<u>1,887,598</u>	<u>400,000</u>	<u>3,452,044</u>
<b>Net change in fund balance</b>	(298,000)	(422,067)	(357,286)	64,781	1,062,501
<b>Fund balance, beginning of year</b>	<u>4,673,093</u>	<u>4,673,093</u>	<u>4,673,093</u>	-	<u>3,610,592</u>
<b>Fund balance, end of year</b>	<u>\$ 4,375,093</u>	<u>\$ 4,251,026</u>	<u>\$ 4,315,807</u>	<u>\$ 64,781</u>	<u>\$ 4,673,093</u>

concluded.

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Special Education Special Revenue Fund

For the Year Ended June 30, 2018

With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018				2017 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
<b>Revenues</b>					
Local sources:					
Property taxes	\$ 27,125,000	\$ 27,802,925	\$ 27,813,688	\$ 10,763	\$ 27,210,643
Earnings on investments and deposits	44,000	108,292	102,917	(5,375)	49,081
Contributions	21,000	16,628	15,423	(1,205)	28,364
Medicaid fee for service	1,872,000	1,872,384	1,857,305	(15,079)	2,062,557
Other	37,000	251,063	256,728	5,665	48,866
<b>Total local sources</b>	<b>29,099,000</b>	<b>30,051,292</b>	<b>30,046,061</b>	<b>(5,231)</b>	<b>29,399,511</b>
State sources:					
State school aid - unrestricted	10,990,260	11,170,407	11,168,275	(2,132)	10,596,767
State school aid - restricted	3,561,300	3,599,244	3,312,679	(286,565)	3,577,326
<b>Total state sources</b>	<b>14,551,560</b>	<b>14,769,651</b>	<b>14,480,954</b>	<b>(288,697)</b>	<b>14,174,093</b>
Federal sources:					
IDEA flowthrough	5,745,000	5,846,353	5,869,706	23,353	5,524,527
Preschool incentive	224,000	237,110	224,973	(12,137)	286,212
Infant and toddler early intervention	163,000	187,680	173,680	(14,000)	159,136
State initiated	195,000	175,000	151,522	(23,478)	193,077
<b>Total federal sources</b>	<b>6,327,000</b>	<b>6,446,143</b>	<b>6,419,881</b>	<b>(26,262)</b>	<b>6,162,952</b>
<b>Total revenues</b>	<b>49,977,560</b>	<b>51,267,086</b>	<b>50,946,896</b>	<b>(320,190)</b>	<b>49,736,556</b>
<b>Expenditures</b>					
Instruction -					
Added needs - special education	12,419,350	12,115,120	12,023,059	(92,061)	11,685,883
Supporting services:					
Pupil support	16,330,600	15,831,368	15,842,986	11,618	15,423,462
Instructional support	2,479,120	2,265,376	2,200,340	(65,036)	2,388,524
General administration	751,700	1,258,539	1,166,850	(91,689)	640,895
School administration	422,750	385,462	376,315	(9,147)	368,408
Business services	220,400	259,985	287,286	27,301	108,920
Operations and maintenance	1,043,160	1,185,224	1,158,459	(26,765)	1,037,575
Transportation	4,514,802	4,214,830	3,969,313	(245,517)	3,910,808
Central services	276,590	279,231	281,870	2,639	257,503
<b>Total supporting services</b>	<b>26,039,122</b>	<b>25,680,015</b>	<b>25,283,419</b>	<b>(396,596)</b>	<b>24,136,095</b>
Community services	237,580	322,771	324,273	1,502	216,025
Payments to other governments	10,539,408	10,939,406	10,921,094	(18,312)	10,709,497
<b>Total expenditures</b>	<b>49,235,460</b>	<b>49,057,312</b>	<b>48,551,845</b>	<b>(505,467)</b>	<b>46,747,500</b>
<b>Revenues over expenditures</b>	<b>742,100</b>	<b>2,209,774</b>	<b>2,395,051</b>	<b>185,277</b>	<b>2,989,056</b>

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# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Special Education Special Revenue Fund

For the Year Ended June 30, 2018

With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018				2017 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Other financing sources (uses)					
Transfers in	\$ 150,000	\$ 153,210	\$ 153,210	\$ -	\$ 150,000
Transfers out	(1,882,100)	(2,732,100)	(2,832,100)	100,000	(1,829,000)
<b>Total other financing uses</b>	<b>(1,732,100)</b>	<b>(2,578,890)</b>	<b>(2,678,890)</b>	<b>100,000</b>	<b>(1,679,000)</b>
<b>Net change in fund balance</b>	<b>(990,000)</b>	<b>(369,116)</b>	<b>(283,839)</b>	<b>85,277</b>	<b>1,310,056</b>
Fund balance, beginning of year	4,103,116	4,103,116	4,103,116	-	2,793,060
<b>Fund balance, end of year</b>	<b>\$ 3,113,116</b>	<b>\$ 3,734,000</b>	<b>\$ 3,819,277</b>	<b>\$ 85,277</b>	<b>\$ 4,103,116</b>

concluded.

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Career Technical Education Special Revenue Fund

For the Year Ended June 30, 2018

With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018				2017 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
<b>Revenues</b>					
Local sources:					
Property taxes	\$ 9,250,000	\$ 9,403,730	\$ 9,404,933	\$ 1,203	\$ 9,206,906
Tuition	210,000	214,549	213,762	(787)	228,015
Earnings on investments and deposits	12,000	30,679	36,201	5,522	18,141
Other	336,200	421,136	474,863	53,727	626,197
<b>Total local sources</b>	<b>9,808,200</b>	<b>10,070,094</b>	<b>10,129,759</b>	<b>59,665</b>	<b>10,079,259</b>
State sources:					
Unrestricted state aid	1,519,721	1,964,629	1,834,337	(130,292)	1,480,107
Vocational education	561,000	565,659	571,410	5,751	582,228
Other	169,850	147,875	147,875	-	71,453
<b>Total state sources</b>	<b>2,250,571</b>	<b>2,678,163</b>	<b>2,553,622</b>	<b>(124,541)</b>	<b>2,133,788</b>
Federal sources -					
Perkins	350,000	303,467	303,467	-	347,644
<b>Total revenues</b>	<b>12,408,771</b>	<b>13,051,724</b>	<b>12,986,848</b>	<b>(64,876)</b>	<b>12,560,691</b>
<b>Expenditures</b>					
Instruction -					
Basic programs - vocational education	7,036,675	6,741,888	6,686,054	(55,834)	7,333,743
Supporting services:					
Pupil support	970,525	974,655	984,663	10,008	894,500
Instructional support	184,100	276,525	282,326	5,801	214,032
School administration	654,630	673,485	658,047	(15,438)	626,256
Business services	77,700	88,808	101,408	12,600	42,081
Operations and maintenance	920,840	969,461	949,564	(19,897)	862,413
Transportation	51,080	47,709	57,774	10,065	53,020
Central services	393,300	377,625	375,814	(1,811)	645,329
<b>Total supporting services</b>	<b>3,252,175</b>	<b>3,408,268</b>	<b>3,409,596</b>	<b>1,328</b>	<b>3,337,631</b>
Community services	290,421	214,777	210,862	(3,915)	219,768
Payments to other governments	312,500	328,000	310,798	(17,202)	-
<b>Total expenditures</b>	<b>10,891,771</b>	<b>10,692,933</b>	<b>10,617,310</b>	<b>(75,623)</b>	<b>10,891,142</b>
<b>Revenues over expenditures</b>	<b>1,517,000</b>	<b>2,358,791</b>	<b>2,369,538</b>	<b>10,747</b>	<b>1,669,549</b>

continued...

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Career Technical Education Special Revenue Fund

For the Year Ended June 30, 2018

With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018				2017 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Other financing sources (uses)					
Transfers in	\$ -	\$ 61,343	\$ 61,348	\$ 5	\$ 97,956
Transfers out	(1,950,000)	(2,352,156)	(2,452,156)	100,000	(1,950,000)
<b>Total other financing uses</b>	<b>(1,950,000)</b>	<b>(2,290,813)</b>	<b>(2,390,808)</b>	<b>100,005</b>	<b>(1,852,044)</b>
Net change in fund balance	(433,000)	67,978	(21,270)	(89,248)	(182,495)
Fund balance, beginning of year	2,843,438	2,843,438	2,843,438	-	3,025,933
<b>Fund balance, end of year</b>	<b>\$ 2,410,438</b>	<b>\$ 2,911,416</b>	<b>\$ 2,822,168</b>	<b>\$ (89,248)</b>	<b>\$ 2,843,438</b>

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, 2018

	Governmental Activities	Internal Service Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 203,348	
Due from other governments		<u>69,984</u>
<b>Total assets</b>		<u>273,332</u>
<b>Net position</b>		
Unrestricted		<u><u>\$ 273,332</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, 2018

	Governmental Activities
	Internal Service Fund
<b>Operating revenues</b>	
Charges for services	\$ 110,412
<b>Operating expenses</b>	
Supporting services	<u>49,694</u>
Operating income	60,718
<b>Nonoperating revenue</b>	
Interest revenue	<u>1,043</u>
<b>Net income</b>	61,761
Net position, beginning of year	<u>211,571</u>
<b>Net position, end of year</b>	<u><u>\$ 273,332</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, 2018

	Governmental Activities
	Internal Service Fund
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 40,428
Cash payments for goods and services	<u>(49,694)</u>
<b>Net cash used in operating activities</b>	(9,266)
<b>Cash flows from investing activities</b>	
Interest received	<u>1,043</u>
<b>Net change in cash and cash equivalents</b>	(8,223)
Cash and cash equivalents, beginning of year	<u>211,571</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 203,348</u></u>
<b>Reconciliation of operating income to net cash used in operating activities</b>	
Operating income	\$ 60,718
Adjustments to reconcile operating income to net cash used in operating activities	
Change in:	
Due from other governments	<u>(69,984)</u>
<b>Net cash used in operating activities</b>	<u><u>\$ (9,266)</u></u>

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Fiduciary Net Position

June 30, 2018

	Private Purpose Trust Fund	
	Imagination Library	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 37,798	\$ 20,277
<b>Liabilities</b>		
Due to student groups and activities	-	\$ 20,277
<b>Net position</b>		
Restricted for child literacy program	\$ 37,798	

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, 2018

#### Additions

Local sources -  
Contributions

\$ 22,621

#### Deductions

Books  
Other expenses

20,363

608

Total deductions

20,971

Change in net position

1,650

Net position, beginning of year

36,148

Net position, end of year

\$ 37,798

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



## NOTES TO FINANCIAL STATEMENTS

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

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

#### *Government-wide and Fund Financial Statements*

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

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

Separate financial statements are provided for governmental funds 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 accounted for and reported in another fund.

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

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

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

Additionally, the District reports the following fund types:

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

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

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

The *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.

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

#### *Receivables and Payables*

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

#### *Prepays*

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

#### *Land Held for Resale*

Land held for resale consists of \$235,430 in the Career Technical Education Fund and is valued at the lower of cost or net realizable value.

#### *Capital Assets*

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

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

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

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

# 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 and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

### *Compensated Absences*

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

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

### *Long-term Obligations*

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

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

### *Deferred Inflows of Resources*

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### *Fund Equity*

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

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

### *Pensions and Other Postemployment Benefits*

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

## 2. BUDGETARY INFORMATION

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Budget to actual comparisons for the general fund and each major special revenue fund are presented in the fund financial statements at the legal level of budgetary control. Expenditures in excess of appropriations for the year ended June 30, 2018, are as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
<b>General fund</b>			
Supporting services -			
Pupil support	\$ 289,729	\$ 295,195	\$ 5,466
Transfers out	1,262,402	1,662,402	400,000
<b>Special education fund</b>			
Supporting services:			
Pupil support	15,831,368	15,842,986	11,618
Business services	259,985	287,286	27,301
Central services	279,231	281,870	2,639
Community services	322,771	324,273	1,502
Transfers out	2,732,100	2,832,100	100,000
<b>Career technical education fund</b>			
Supporting services:			
Pupil support	974,655	984,663	10,008
Instructional support	276,525	282,326	5,801
Business services	88,808	101,408	12,600
Transportation	47,709	57,774	10,065
Transfers out	2,352,156	2,452,156	100,000

### 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	\$ 23,016,262
Investments	827,934

#### Statement of Fiduciary Net Position

Cash and cash equivalents:	
Private-purpose trust fund - Imagination Library	37,798
Agency fund	20,277
	<u>58,075</u>

<b>Total</b>	<u><u>\$ 23,902,271</u></u>
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#### Deposits and investments

Cash on hand	\$ 600
Bank deposits (checking and savings accounts)	23,073,737
Investments	827,934
	<u>23,902,271</u>

<b>Total</b>	<u><u>\$ 23,902,271</u></u>
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# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### Statutory Authority

State statutes authorize the District to invest in:

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

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

The District chooses to disclose its investments by specifically identifying each. At June 30, 2018, the District had the following investments:

Deposit / Investment	Maturity	Amortized Cost/ Fair Value	Rating
U.S. Government Money Market Funds	n/a	\$ 368,882	S&P - AAAm
Michigan Liquid Asset Fund	n/a	<u>459,052</u>	S&P - AAAm
		<u>\$ 827,934</u>	

### Deposit and Investment Risk

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



# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$22,499,859 of the District's bank balance of \$23,239,206 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

*Fair Value.* The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The District's only recurring fair value measurements as of June 30, 2018, were related to its investments in U.S. Government Money Market Funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

## 5. RECEIVABLES

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 25,007	\$ -	\$ -	\$ -	\$ 25,007
Construction in progress	221,582	197,098	-	(221,582)	197,098
	<u>246,589</u>	<u>197,098</u>	<u>-</u>	<u>(221,582)</u>	<u>222,105</u>
Capital assets, being depreciated:					
Land improvements	2,651,860	-	-	-	2,651,860
Buildings and improvement	25,665,889	702,715	-	221,582	26,590,186
Furniture and equipment	4,066,649	611,004	(153,719)	-	4,523,934
Transportation equipment	2,572,683	391,904	(213,973)	-	2,750,614
	<u>34,957,081</u>	<u>1,705,623</u>	<u>(367,692)</u>	<u>221,582</u>	<u>36,516,594</u>
Less accumulated depreciation for:					
Land improvements	(713,152)	(85,546)	-	-	(798,698)
Buildings and improvement	(17,294,831)	(751,129)	-	-	(18,045,960)
Furniture and equipment	(1,797,484)	(381,252)	153,719	-	(2,025,017)
Transportation equipment	(1,476,506)	(251,304)	213,973	-	(1,513,837)
	<u>(21,281,973)</u>	<u>(1,469,231)</u>	<u>367,692</u>	<u>-</u>	<u>(22,383,512)</u>
Total capital assets being depreciated, net	<u>13,675,108</u>	<u>236,392</u>	<u>-</u>	<u>221,582</u>	<u>14,133,082</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 13,921,697</u>	<u>\$ 433,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,355,187</u>

Depreciation expense of \$1,469,231 was charged to the function "unallocated depreciation" and not allocated to other functions.

At June 30, 2018, outstanding construction commitments totaled approximately \$225,000.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	General	Special Education	Career Technical Education	Recurring Projects
Accounts payable	\$ 863,656	\$ 384,814	\$ 65,247	\$ 170,858
Salaries payable	48,165	2,774,270	579,669	-
Accrued liabilities	40,610	1,496,853	313,139	-
Due to other governments	183,196	664,458	151,231	-
	<u>\$ 1,135,627</u>	<u>\$ 5,320,395</u>	<u>\$ 1,109,286</u>	<u>\$ 170,858</u>

  

	Nonmajor Governmental Funds	Total
Accounts payable	\$ 2,724	\$ 1,487,299
Salaries payable	-	3,402,104
Accrued liabilities	-	1,850,602
Due to other governments	-	998,885
	<u>\$ 2,724</u>	<u>\$ 7,738,890</u>

### 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018, was as follows:

	Due from Other Funds	Due to Other Funds
General	\$ 9,400	\$ 3,767,490
Special education	-	2,690,790
Career technical education	-	2,374,658
Recurring projects	8,832,938	-
Nonmajor governmental funds	-	9,400
Total	<u>\$ 8,842,338</u>	<u>\$ 8,842,338</u>

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

For the year ended June 30, 2018, interfund transfers consisted of the following:

	Transfers in	Transfers out
General	\$ 3,550,000	\$ 1,662,402
Special education	153,210	2,832,100
Career technical education	61,348	2,452,156
Recurring projects	3,100,000	-
Nonmajor governmental funds	82,100	-
	<u>\$ 6,946,658</u>	<u>\$ 6,946,658</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, 2018, the District transferred funds for debt service and to pay for administrative services that were provided to the special education and the career technical education funds. In addition, funds were transferred to the recurring projects fund for special improvement projects within the District.

## 9. LONG-TERM DEBT

Long-term debt and other obligations of the District at June 30, 2018, 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%	\$ 710,000	\$ -	\$ 45,000	\$ 665,000	\$ 45,000
Compensated absences	<u>171,634</u>	<u>182,320</u>	<u>171,634</u>	<u>182,320</u>	<u>182,320</u>
<b>Total long-term debt</b>	<u>\$ 881,634</u>	<u>\$ 182,320</u>	<u>\$ 216,634</u>	<u>\$ 847,320</u>	<u>\$ 227,320</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
2019	\$ 45,000	\$ 36,850	\$ 81,850
2020	50,000	34,713	84,713
2021	50,000	32,575	82,575
2022	55,000	30,075	85,075
2023	55,000	27,575	82,575
2024-2028	335,000	93,438	428,438
2029	75,000	12,375	87,375
<b>Totals</b>	<b>\$ 665,000</b>	<b>\$ 267,601</b>	<b>\$ 932,601</b>

## 10. LEASE AGREEMENTS

The District maintains an operating lease agreement for buses. The future minimum lease obligation of these minimum lease payments as of June 30, 2018 are as follows:

Year	Amount
2019	\$ 75,880
2020	171,236
	<u>\$ 247,116</u>

Rental expense on this lease and an additional bus lease ended during the fiscal year was \$75,880 for the year ended June 30, 2018.

## 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 four 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:

	2018	2017
Estimated liability, beginning of year	\$ 64,702	\$ 55,767
Estimated claims incurred, including changes in estimates	734,558	774,071
Claim payments	<u>(745,316)</u>	<u>(765,136)</u>
Estimated liability, end of year	<u>\$ 53,944</u>	<u>\$ 64,702</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. TAX ABATEMENTS

The District received reduced property tax revenues during 2018 as a result of industrial facilities tax exemptions (IFT's) entered into by cities, villages, townships, and authorities within the District boundaries.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the District boundaries. The abatements amounted to approximately \$229,000 in reduced District tax revenues for 2018.

## 14. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

### *Plan Description*

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

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

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

The System's financial statements are available at the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### *Pension Benefits Provided*

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

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

### *Other Postemployment Benefits (OPEB) Provided*

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

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

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

### Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 22-year period for the 2017 fiscal year.

The table below summarizes pension contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 19.03%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 19.03%
Pension Plus	3.00% - 6.40%	16.61% - 18.40%
Pension Plus 2	6.20%	19.74%
Defined Contribution	0.00%	13.54% - 15.27%

Required contributions to the pension plan from the District were \$9,666,215 for the year ended June 30, 2018.

The table below summarizes OPEB contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	5.91% - 7.67%
Personal Healthcare Fund (PHF)	0.00%	5.69% - 7.42%

Required contributions to the OPEB plan from the District were \$2,216,497 for the year ended June 30, 2018.



# 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, 2018, the District reported a liability of \$90,724,262 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was 0.35009%, which was an increase of 0.01129% from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$11,141,908. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 788,456	\$ 445,165	\$ 343,291
Changes in assumptions	9,939,564	-	9,939,564
Net difference between projected and actual earnings on pension plan investments	-	4,337,217	(4,337,217)
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,357,100	55,826	4,301,274
	<u>15,085,120</u>	<u>4,838,208</u>	<u>10,246,912</u>
District contributions subsequent to the measurement date	8,889,339	-	8,889,339
<b>Total</b>	<u><u>\$ 23,974,459</u></u>	<u><u>\$ 4,838,208</u></u>	<u><u>\$ 19,136,251</u></u>

\$8,889,339 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 3,390,962
2020	4,639,924
2021	2,098,292
2022	<u>117,734</u>
<b>Total</b>	<u><u>\$ 10,246,912</u></u>

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

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

At June 30, 2018, the District reported a liability of \$31,009,371 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was 0.35017%.

For the year ended June 30, 2018, the District recognized OPEB expense of \$2,074,435. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 330,159	\$ (330,159)
Net difference between projected and actual earnings on OPEB plan investments	-	718,184	(718,184)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,312	-	1,312
	<u>1,312</u>	<u>1,048,343</u>	<u>(1,047,031)</u>
District contributions subsequent to the measurement date	1,971,446	-	1,971,446
	<u>1,971,446</u>	<u>-</u>	<u>1,971,446</u>
<b>Total</b>	<b><u>\$ 1,972,758</u></b>	<b><u>\$ 1,048,343</u></b>	<b><u>\$ 924,415</u></b>

\$1,971,446 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ (253,041)
2020	(253,041)
2021	(253,041)
2022	(253,041)
2023	<u>(34,867)</u>
<b>Total</b>	<b><u>\$ (1,047,031)</u></b>

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2016 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.5%
Pension Plus plan (hybrid)	7.0%
OPEB plans	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. 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.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5188 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.4744 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### *Long-Term Expected Return on Plan Assets*

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.60%	1.56%
Alternative investment pools	18.00%	8.70%	1.57%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	-0.10%	-0.01%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.00%	0.78%
Short-term investment pools	2.00%	-0.90%	-0.02%
	<u>100.00%</u>		5.45%
Inflation			<u>2.05%</u>
Investment rate of return			<u>7.50%</u>

### *Discount Rate*

A discount rate of 7.5% was used to measure the total pension and OPEB liabilities (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension and OPEB plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 118,183,537	\$ 90,724,262	\$ 67,605,301

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	\$ 36,320,936	\$ 31,009,371	\$ 26,501,516

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

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

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	\$ 26,260,769	\$ 31,009,371	\$ 36,401,078

### *Pension and OPEB Plans Fiduciary Net Position*

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### *Payable to the Pension Plan*

At June 30, 2018, the District reported a payable of \$1,607,522 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018.

### *Payable to the OPEB Plan*

At June 30, 2018, the District reported a payable of \$260,942 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2018.

## 15. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2018, net investment in capital assets was comprised of the following:

<b>Net investment in capital assets</b>	
Capital assets not being depreciated	\$ 222,105
Capital assets being depreciated, net	14,133,082
Bonds payable	<u>(665,000)</u>
<b>Total net investment in capital assets</b>	<b><u>\$ 13,690,187</u></b>

## 16. RESTATEMENT

The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by \$30,226,130.



## 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,			
	2018	2017	2016	2015
District's proportion of the net pension liability	\$ 90,724,262	\$ 84,528,369	\$ 81,707,674	\$ 69,586,838
District's proportionate share of the net pension liability	0.35009%	0.33880%	0.33452%	0.31592%
District's covered payroll	\$ 29,782,328	\$ 28,812,805	\$ 23,818,313	\$ 23,907,307
District's proportionate share of the net pension liability as a percentage of its covered payroll	304.62%	293.37%	343.05%	291.07%
Plan fiduciary net position as a percentage of the total pension liability	64.21%	63.27%	63.17%	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 the District's Pension Contributions

	Year Ended June 30,			
	2018	2017	2016	2015
Statutorily required contribution	\$ 9,666,215	\$ 7,838,018	\$ 7,883,487	\$ 6,142,307
Contributions in relation to the statutorily required contribution	(9,666,215)	(7,838,018)	(7,883,487)	(6,142,307)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 30,154,456	\$ 29,116,650	\$ 23,864,947	\$ 23,416,380
Contributions as a percentage of covered payroll	32.06%	26.92%	33.03%	26.23%

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

	Year Ended June 30, 2018
District's proportion of the net OPEB liability	\$ 31,009,371
District's proportionate share of the net OPEB liability	0.35017%
District's covered payroll	\$ 29,782,328
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	104.12%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%

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

Note: GASB 75 was implemented in fiscal year 2018. 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 the District's Other Postemployment Benefit (OPEB) Contributions

	Year Ended June 30, 2018
Statutorily required contribution	\$ 2,216,497
Contributions in relation to the statutorily required contribution	<u>(2,216,497)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered payroll	\$ 30,154,456
Contributions as a percentage of covered payroll	7.35%

Note: GASB 75 was implemented in fiscal year 2018. 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, 2018

	Special Revenue	Debt Service	Capital Projects	
	Training Assistance	2009 Debt Service	Technology	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 722,913	\$ -	\$ 1,266,781	\$ 1,989,694
Due from other governments	10,189	-	3,500	13,689
<b>Total assets</b>	<u>\$ 733,102</u>	<u>\$ -</u>	<u>\$ 1,270,281</u>	<u>\$ 2,003,383</u>
<b>Liabilities</b>				
Accounts payable	\$ 2,149	\$ -	\$ 575	\$ 2,724
Due to other funds	9,400	-	-	9,400
Unearned revenue	-	-	490,000	490,000
<b>Total liabilities</b>	11,549	-	490,575	502,124
<b>Deferred inflows of resources</b>				
Unavailable receivables	-	-	3,500	3,500
<b>Fund balances</b>				
Restricted	<u>721,553</u>	<u>-</u>	<u>776,206</u>	<u>1,497,759</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 733,102</u>	<u>\$ -</u>	<u>\$ 1,270,281</u>	<u>\$ 2,003,383</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, 2018

	Special Revenue	Debt Service	Capital Projects	
	Training Assistance	2009 Debt Service	Technology	Totals
<b>Revenues</b>				
Local sources:				
Tuition	\$ 60	\$ -	\$ -	\$ 60
Earnings on investments and deposits	-	-	6,578	6,578
Other	3,912	-	354,734	358,646
State sources	97,759	-	-	97,759
<b>Total revenues</b>	<b>101,731</b>	<b>-</b>	<b>361,312</b>	<b>463,043</b>
<b>Expenditures</b>				
Supporting services	59,963	-	-	59,963
Debt service:				
Principal	-	45,000	-	45,000
Interest and fiscal charges	-	37,100	-	37,100
Capital outlay - Technology capital improvements	-	-	102,007	102,007
<b>Total expenditures</b>	<b>59,963</b>	<b>82,100</b>	<b>102,007</b>	<b>244,070</b>
Revenues over (under) expenditures	41,768	(82,100)	259,305	218,973
<b>Other financing sources</b>				
Transfers in	-	82,100	-	82,100
<b>Net change in fund balances</b>	<b>41,768</b>	<b>-</b>	<b>259,305</b>	<b>301,073</b>
Fund balances, beginning of year	679,785	-	516,901	1,196,686
<b>Fund balances, end of year</b>	<b>\$ 721,553</b>	<b>\$ -</b>	<b>\$ 776,206</b>	<b>\$ 1,497,759</b>

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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 THE UNIFORM GUIDANCE**

October 22, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 22, 2018, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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.



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# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Awards Amount
<b>U.S. Department of Education</b>				
2016-2017 Title I Regional Assistance	84.010	MDE	171570-1617	\$ 578,204
2017-2018 Title I Regional Assistance	84.010	MDE	181570-1718	510,365
Special Education Cluster:				
2016-2017 IDEA Flowthrough	84.027A	MDE	170450-1617	5,743,034
2017-2018 IDEA Flowthrough	84.027A	MDE	180450-1718	5,824,263
2017-2018 State Initiated / Competitive EOSD	84.027A	MDE	180480-EOSD	50,000
2017-2018 State Initiated / Department TC	84.027A	MDE	180491-TC	65,000
2016-2017 Preschool Incentive	84.173A	MDE	170460-1617	223,853
2017-2018 Preschool Incentive	84.173A	MDE	180460-1718	224,212
2016-2017 Perkins	84.048A	HCISD	-n/a-	347,644
2017-2018 Perkins	84.048A	HCISD	-n/a-	303,467
2016-2017 Infant and Toddler Formula	84.181A	MDE	171340-1617	173,136
2017-2018 Infant and Toddler Formula	84.181A	MDE	181340-1718	173,680
2009-2010 McKinney-Vento Homeless Education	84.196A	MDE	102320-0910	42,860
2016-2017 McKinney-Vento Homeless Education	84.196A	MDE	172320-1617	60,756
2017-2018 McKinney-Vento Homeless Education	84.196A	MDE	182320-1718	75,074

Expenditures (Memo Only) Prior Year(s)	Accrued (Unearned) Revenue at July 1, 2017	Federal Funds / Payments In-Kind Received	Expenditures June 30, 2018	Accrued (Unearned) Revenue at June 30, 2018	Current Year Cash Transferred to Subrecipient
\$ 329,391	\$ 48,750	\$ 173,588	\$ 124,838	\$ -	\$ -
-	-	199,510	260,085	60,575	-
	<u>48,750</u>	<u>373,098</u>	<u>384,923</u>	<u>60,575</u>	<u>-</u>
5,238,728	1,297,591	1,801,897	504,306	-	-
-	-	4,015,897	5,365,400	1,349,503	-
-	-	35,049	46,735	11,686	-
-	-	45,028	60,037	15,009	-
210,955	79,826	92,724	12,898	-	-
-	-	159,104	212,075	52,971	-
	<u>1,377,417</u>	<u>6,149,699</u>	<u>6,201,451</u>	<u>1,429,169</u>	<u>-</u>
347,644	84,342	84,342	-	-	-
-	-	237,955	303,467	65,512	-
	<u>84,342</u>	<u>322,297</u>	<u>303,467</u>	<u>65,512</u>	<u>-</u>
159,136	29,778	43,778	14,000	-	-
-	-	41,799	159,680	117,881	-
	<u>29,778</u>	<u>85,577</u>	<u>173,680</u>	<u>117,881</u>	<u>-</u>
-	(6,530)	-	6,530	-	-
15,196	12,305	15,549	3,244	-	692
-	-	-	25,525	25,525	19,939
	<u>5,775</u>	<u>15,549</u>	<u>35,299</u>	<u>25,525</u>	<u>20,631</u>

continued...

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Awards Amount
<b>U.S. Department of Education (concluded)</b>				
2016-2017 Changing the Equation through Intel Mathematics	84.366B	LISD	-n/a-	\$ 94,494
2017 UP Smile, Year 2	84.366	EUPISD	-n/a-	5,600
2016-2017 Title II, Part A Regular	84.367	MDE	170520-1617	937
2016-2017 RTT Trusted Advisors	84.412	MDE	144720-1617	60,000
2017-2018 RTT Trusted Advisors	84.412	MDE	144740-1718	60,000
2016-2017 Substance Abuse and Mental Health Services	93.243	MDE	172730	369,836
2017-2018 Substance Abuse and Mental Health Services	93.243	MDE	182730	425,000
2016-2017 Substance Abuse and Mental Health Services	93.243	MDE	172750	18,125
2017-2018 Substance Abuse and Mental Health Services	93.243	MDE	182750	17,185
2016-2017 Child Care and Development Block Grant	93.596	MDE	173QUA-1617	100,000
2017-2018 Child Care and Development Block Grant	93.596	MDE	183QUA-1718	100,000
<b>Total U.S. Department of Education</b>				
<b>U.S. Department of Health and Human Services</b>				
2016-2017 Medicaid Administrative Outreach	93.778	MDE	-n/a-	44,750
<b>Total Federal Financial Assistance</b>				

See notes to schedule of expenditures of federal awards.



Expenditures (Memo Only) Prior Year(s)	Accrued (Unearned) Revenue at July 1, 2017	Federal Funds / Payments In-Kind Received	Expenditures June 30, 2018	Accrued (Unearned) Revenue at June 30, 2018	Current Year Cash Transferred to Subrecipient
\$ 34,491	\$ 2,242	\$ 2,249	\$ 7	\$ -	\$ -
2,579	2,579	3,326	747	-	-
	<u>4,821</u>	<u>5,575</u>	<u>754</u>	<u>-</u>	<u>-</u>
891	891	937	46	-	-
-	-	60,000	60,000	-	-
-	-	9,612	18,054	8,442	-
	<u>-</u>	<u>69,612</u>	<u>78,054</u>	<u>8,442</u>	<u>-</u>
148,046	42,921	192,477	149,556	-	-
-	-	215,765	262,720	46,955	-
4,199	-	8,284	8,284	-	-
-	-	5,460	5,460	-	-
	<u>42,921</u>	<u>421,986</u>	<u>426,020</u>	<u>46,955</u>	<u>-</u>
72,404	10,672	38,268	27,596	-	-
-	-	61,747	72,360	10,613	-
	<u>10,672</u>	<u>100,015</u>	<u>99,956</u>	<u>10,613</u>	<u>-</u>
	<u>1,605,367</u>	<u>7,544,345</u>	<u>7,703,650</u>	<u>1,764,672</u>	<u>20,631</u>
-	-	44,750	44,750	-	-
	<u>\$ 1,605,367</u>	<u>\$ 7,589,095</u>	<u>\$ 7,748,400</u>	<u>\$ 1,764,672</u>	<u>\$ 20,631</u>

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, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

### 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been 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.

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

### 3. PASS-THROUGH AGENCIES

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

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
HCISD	Hillsdale County Intermediate School District
LISD	Lenawee Intermediate School District
EUPISD	Eastern Upper Peninsula Intermediate School District



**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 22, 2018

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, 2018, 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 22, 2018.

#### **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.

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

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

October 22, 2018

Board of Education  
Jackson County Intermediate School District  
Jackson, Michigan**Report on Compliance for the Major Federal Program**

We have audited the compliance of the *Jackson County Intermediate School District* (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Independent Auditors' Responsibility***

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

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

### *Opinion on the Major Federal Program*

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

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

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

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

### *Purpose of this Report*

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

Handwritten signature of Rehmann Lobson LLC in black ink.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes       X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes       X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes       X  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes       X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes       X  none reported

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

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

Identification of major program:

#### CFDA Number

84.027A & 84.173A

#### Name of Federal Program or Cluster

Special Education Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

X  yes      \_\_\_\_\_ no

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

### 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 Year Audit Findings For the Year Ended June 30, 2018

### #2017-001 - Significant Audit Adjustments

During the 2017 audit, various adjustments were identified and proposed (which were approved and posted by management) that were significant, either individually or in the aggregate to the District's financial statements. As a result of this condition, the District's accounting records were initially misstated by amounts significant to the financial statements. Specifically, capital assets and the related capital outlay expense were initially understated by approximately \$300,000 due to exclusion of construction in progress additions and transfers for the current year. This finding was resolved in the June 30, 2018 year.



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