



Year Ended  
June 30, 2013

Financial  
Statements and  
Single Audit Act  
Compliance

This page intentionally left blank.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation - Fund Balances of Governmental Funds to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation - Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	26
Special Education Special Revenue Fund	28
Career Technical Education Special Revenue Fund	30
Statement of Net Position - Proprietary Funds	32
Statement of Revenues, Expenditures and Changes in Fund Net Position - Proprietary Funds	33
Statement of Cash Flows - Proprietary Funds	34
Statement of Fiduciary Net Position	35
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Fund	36
Notes to Financial Statements	38
Combining and Individual Fund Financial Statements	
Combining Balance Sheet - Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	55

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Table of Contents

	<u>Page</u>
Single Audit Act Compliance	
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	59
Schedule of Expenditures of Federal Awards	62
Notes to Schedule of Expenditures of Federal Awards	66
Schedule of Federal Sub-Grantee Recipients	68
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 <i>Government Auditing Standards</i>	69
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	71
Schedule of Findings and Questioned Costs	73
Summary Schedule of Prior Audit Findings	74



## INDEPENDENT AUDITORS' REPORT

November 4, 2013

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, 2013, 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, 2013, and the respective changes in financial position 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.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated November 4, 2013, 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.

*Rehmann Lobson LLC*

This page intentionally left blank.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

The Jackson County Intermediate School District (JCISD), is one of Michigan's 56 intermediate school Districts, created by the state legislature in 1962 to provide regional services to local schools. JCISD provides direct or indirect services to the approximately 25,000 students in Jackson County from all 12 public school Districts, two 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 JCISD, we offer readers of the JCISD's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. 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

Goals related to financial activities of the District for the 2012-13 fiscal year were generally met. While the fund balances of some funds went up and other funds went down over the past year, the District's Management believes the overall condition of all funds, governmental activities and business-type activities of the District improved slightly during the year. Throughout the past several years the District has taken a conservative approach to staffing, looked for more opportunities to collaborate with other districts, and taken numerous other steps to streamline operations, increase efficiencies, and reduce costs in to maintain programs and services. As a result, the financial health of the District remains stable and relatively strong despite the prolonged economic downturn. The District plans to continue taking this same conservative approach going forward to maintain its financial health while the Michigan economy begins what appears to be a slow recovery, and the housing market appears to have bottomed out and begun to improve.

The assets of JCISD exceeded liabilities and deferred inflows of resources by \$27,661,155 at the close of the most recent fiscal year. This represents an increase in the total net position of the District of \$4,336,473 during the past fiscal year. Of the total net position, \$2,897,784 are unrestricted and may be used to meet the District's ongoing obligations to taxpayers, students and creditors. The unrestricted net position of the District increased by \$602,818 during the past fiscal year.

At the close of the 2012-13 fiscal year, the District's governmental fund balances totaled \$15,587,883, an increase of \$4,179,418 from the prior year. Of the \$15,587,883, \$846,510 is nonspendable in the form of inventories, prepaids or land held for resale, \$6,884,236 is restricted for use in particular programs (special education, career & technical education, training assistance), \$5,769,237 is restricted for capital projects, technology or debt service, \$350,000 is assigned for future technology consortium expenses, and \$1,737,900 is unassigned.

### Using this Financial Report

This discussion and analysis is intended to serve as an introduction to the JCISD's basic financial statements. The JCISD'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 JCISD'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.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

The *statement of net position* presents information on all of the JCISD's assets, 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 JCISD is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. This statement focuses on expenses (cost) for each of the District's functional activities (e.g., instruction, support services, community service, depreciation, etc.). In the private sector, revenues are the first item in the operating statement reflecting the common business goal of maximizing revenues. In the public sector, the goal is to provide needed services cost-effectively so the first item in the statement of activities for local governments is expenses, not revenues. The cost of services need not be financed from the District's own resources, but may be offset by outside resources such as contributions, fees, and grants. The statement of activities is presented to highlight the portion of each functional activity that must be financed by the District's own resources. The statement first reports all direct costs associated with each functional activity, then reports dedicated outside revenues as a direct reduction, to arrive at the program's net cost to the District.

In the government-wide financial statements, the District's activities are divided into two categories:

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

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

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

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.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

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

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

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

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

**Other Information.** Other information consists of combining fund financial statements as well as single audit act compliance information.

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

### Government-wide Financial Analysis

The District's net position was \$27,661,155 at June 30, 2013. Of this amount, \$2,897,784 was unrestricted. Restricted net position is reported separately to show legal constraints that limit the District's ability to use that net position for day-to-day operations.

	District's Net Position	
	Governmental Activities	
	2013	2012
Current and other assets	\$23,228,718	\$18,267,763
Capital assets, net	12,676,386	12,814,884
<b>Total assets</b>	<b>35,905,104</b>	<b>31,082,647</b>
Current & other liabilities	7,242,674	6,533,296
Long-term debt	1,001,275	1,224,669
<b>Total liabilities</b>	<b>8,243,949</b>	<b>7,757,965</b>
Net position:		
Net investment in capital assets	11,811,386	11,914,884
Restricted	12,951,985	9,114,832
Unrestricted	2,897,784	2,294,966
<b>Total net position</b>	<b>\$27,661,155</b>	<b>\$23,324,682</b>

The \$2,897,784 in unrestricted net position represents the accumulated results of all past years' operations.

# 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 \$4,336,473. In the following table the reader can also easily see the District's total revenues for the year by major source as well as the total expenditures for the year by major program.

	District's Changes in Net Position	
	Governmental Activities	
	2013	2012
Program revenues:		
Charges for services	\$ 320,896	\$ 291,004
Operating grants	15,701,287	15,478,412
General revenues:		
Property taxes	36,410,599	34,136,976
Unrestricted state aid	9,535,336	7,648,580
Other general revenue	4,973,155	4,154,030
Total revenues	<u>66,941,273</u>	<u>61,709,002</u>
Expenses:		
Instruction	15,721,696	16,345,521
Supporting services	33,086,514	30,449,761
Payments to other governments	12,561,839	12,324,931
Interest on long-term debt	55,488	66,088
Unallocated depreciation	1,179,263	1,174,933
Total expenses	<u>62,604,800</u>	<u>60,361,234</u>
Change in net position	4,336,473	1,347,768
Net position:		
Beginning of year	<u>23,324,682</u>	<u>21,976,914</u>
End of year	<u>\$27,661,155</u>	<u>\$23,324,682</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 (53%) and direct payments to local school districts (20%). Instructional costs relate specifically to providing career and technical education to students of local school districts and to providing special education instruction to other students of local districts. The higher support services ratio would be consistent with the purpose of intermediate school Districts, which is to provide support programs to local districts in order to more efficiently and effectively educate students in the county.

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

As previously mentioned, the District has four main operating funds - the general fund, the special education fund, the career & technical education fund and the recurring projects fund. The budgets for these funds are prepared according to Michigan law.

During the fiscal year ended June 30, 2013, the District amended the budgets of the general, special education and career & technical education funds two times to reflect changes to both revenues and expenditures from the assumptions that were made when the budget was originally developed. A brief review of each fund's performance is provided below.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

General Fund. As summarized below, during the 2013 fiscal year the general fund had total revenues of \$12,505,941 and total expenditures of \$12,163,676. As a result the fund balance at year end increased by \$342,265 to a total of \$2,635,898.

Summary of General Fund Performance			
for the Year Ended June 30, 2013			
	Original Budget	Final Budget	Actual Results
Total revenues	\$12,189,665	\$14,300,666	\$12,505,941
Total expenditures	<u>(12,458,185)</u>	<u>(13,874,848)</u>	<u>(12,163,676)</u>
Net change in fund balance	(268,520)	425,818	342,265
Fund balance - Beginning of year	<u>2,293,633</u>	<u>2,293,633</u>	<u>2,293,633</u>
End of year	<u>\$ 2,025,113</u>	<u>\$ 2,719,451</u>	<u>\$ 2,635,898</u>

The general fund actual revenues were higher than the original budget but lower than the final amended budget. The general fund actual expenditures were lower than both the original and amended budget. These differences were due primarily to the timing of grant related revenue and the expenses associated with fulfilling those grants. Apart from the grant related revenues and expenditures, adjustments were made to ensure that actual expenditures of the General Fund were in line with the revenue. The net result was a small surplus was realized in the General Fund for the year as opposed to the small deficit that had originally been budgeted. Therefore the fund balance at the end of the year for the General Fund was up instead of down reflecting a healthier General Fund than had originally been projected.

Special Education Fund. As summarized below, during the 2013 fiscal year the special ed fund had total revenues of \$44,555,009 and total expenditures of \$43,140,635. As a result the fund balance at year end increased by \$1,414,374 to a total of \$3,214,612.

Summary of Special Ed Fund Performance			
for the Year Ended June 30, 2013			
	Original Budget	Final Budget	Actual Results
Total revenues	\$38,232,247	\$44,544,231	\$44,555,009
Total expenditures	<u>(38,031,645)</u>	<u>(43,391,807)</u>	<u>(43,140,635)</u>
Net change in fund balance	200,602	1,152,424	1,414,374
Fund balance - Beginning of year	<u>1,800,238</u>	<u>1,800,238</u>	<u>1,800,238</u>
End of year	<u>\$ 2,000,840</u>	<u>\$ 2,952,662</u>	<u>\$ 3,214,612</u>

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

The fund balance at the beginning of the 2012-13 fiscal year for the Special Ed Fund was at the bottom of the target range established by the District's Board of Education. The original budget for 2012-13 projected a small surplus for the year, however actual results came in more favorable. The biggest change from the original budget was the passage of the "renew and restore" millage by the voters of Jackson County on August 7, 2012. The millage improved the District's revenue and the majority of the increased funds flowed through the ISD and went out to benefit all the local school districts and charter schools in Jackson County. The ISD's small portion of the incremental revenue allowed the District to restore some staffing positions and further invest in the educational programming for our special needs students while also improving the Special Ed fund balance. The final results for the year were very close to the final amended budget which reflected these changes to revenue, transfers to locals and ISD expenditures.

Career & Technical Education Fund. As summarized below, during the 2013 fiscal year the career & technical education fund had total revenues of \$11,179,453 and total expenditures of \$11,510,252. As a result the fund balance at year end deteriorated by \$330,799 but remains healthy at \$3,351,324 million.

Summary of Career & Technical Education Fund Performance			
for the Year Ended June 30, 2013			
	Original Budget	Final Budget	Actual Results
Total revenues	\$10,787,319	\$11,103,410	\$11,179,453
Total expenditures	(11,780,568)	(11,826,049)	(11,510,252)
Net change in fund balance	(993,249)	(722,639)	(330,799)
Fund balance - Beginning of year	<u>3,682,123</u>	<u>3,682,123</u>	<u>3,682,123</u>
End of year	<u>\$ 2,688,874</u>	<u>\$ 2,959,484</u>	<u>\$ 3,351,324</u>

The actual revenue for the career & technical education fund was slightly higher than both the original budget and the final amended budget. The actual expenditures of the career & technical education fund came in lower than both the original and the final amended budget resulting in the small deterioration in fund balance for the year.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

**Capital Assets.** At the end of the 2012-13 fiscal year, the District had \$31,054,868 invested in land, buildings, furniture & equipment and transportation equipment, an increase of \$421,244 from the previous year. This small increase was due to miscellaneous building improvements and some additions of furniture and equipment. During 2012-13 there was additional depreciation of \$1,179,263 resulting in total accumulated depreciation as of June 30, 2013, of \$18,378,482. This yields a net book value of the District's capital assets of \$12,676,386 at June 30, 2013, a reduction of \$138,498 from the previous year.

Since most of the District's facilities were originally built 30-40 years ago, they require a certain level of continued investment to keep them well maintained. The District's capital asset plan and facilities maintenance staff have protected the District's assets from deterioration with the constant and vigilant care required to maintain its capital asset investment at the levels of quality the District has enjoyed in the past. In order to ensure this continues into the future, the District will utilize its recurring projects fund to provide the necessary dollars for facility projects that would otherwise not be possible relying only upon operating funds without taking on additional debt. Examples of such projects could include chillers, boilers, energy management systems, roofs, parking lots and other similar building updates.

**Long-Term Debt.** The District has long term debt obligations of \$865,000 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 \$30,000 to \$75,000 through the year 2029.

### Factors Bearing on the District's Future

The District is aware of several current issues that could significantly impact its financial health in the future. These factors include, but are not limited to:

- **Consolidation of Services:** During the summer of 2013 the State Superintendent of Michigan Schools, Mike Flanagan, presented a proposal to the Michigan legislature suggesting that most services required to operate local school districts should be consolidated on a county wide basis managed by Intermediate School Districts (ISD's). For many years the Jackson County ISD has viewed its primary purpose as servicing the local districts of Jackson County in whatever areas they need support. Consequently, the Jackson County ISD is already heavily involved in providing services to local districts in Jackson County and beyond in the areas of technology, business and finance, student data reporting, legal and many more. So while the State Superintendent's proposal would not represent a change in the focus or purpose of the Jackson County ISD, the proposal would likely result in a significant expansion in the number of districts receiving services from the ISD in some of these areas.
- **Local Property Tax Revenue:** Jackson County property values declined 2.4% for the 2012 tax year. This followed declines of 2.3% in 2011, 3.9% in 2010 and 1.9% in 2009. This decline of more than 10% over the past four year period has significantly impacted the District's local revenue from property taxes. However for the 2013 tax year, property values in the county leveled out and actually increased slightly by 0.34%. This means that the District's largest revenue source, local property taxes, should be up just slightly during the 2013-14 fiscal year. Hopefully this trend will continue into the future as the housing and commercial property markets begin to recover.



# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

- **Other Property Tax Issues:** The District continues to be impacted by the number of 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 District was made aware of a new case filed with the MTT earlier in 2013 by DPC Juniper LLC, the second largest payer of property taxes in Jackson County. Based on the value of the property in question, the exposure of the District is significant in terms of the potential future refund it might be required to pay starting with the 2013 tax year along with the reduction of future property tax revenues. The other property tax issue that could impact the District in the future is related to the elimination of the personal property tax (PPT). The state legislature passed legislation within the past year that gradually phases out the PPT and provides full or at least partial replacement revenue for most school districts and municipal entities. The replacement mechanism is somewhat complicated and requires a favorable vote of all the voters of Michigan in August 2014. As a result of this situation the revenue the District receives from local PPT is still somewhat in question.
- **State Funding:** During the lengthy economic downturn state funding for K-12 education in Michigan has been a challenge, both for the state and for school districts. There have been funding cuts, steady declines in student enrollment, reforms aimed at reducing legacy costs and school operating costs, and along the way partial restoration of some funding cuts. One reform that was not implemented was a proposal put forth by the governor (Michigan Education Finance Act of 2013) which would have significantly modified the basis by which state funds would be distributed to K-12 schools. Whether this reform effort resurfaces again or not, the District believes the current outlook is for relatively flat funding from the state to school districts over the next several years.
- **Federal Funding:** As a result of the Sequestration that took effect in March 2013 the District has already seen small declines in Federal funding for some educational programs, although the impact has been relatively minor. Since neither the Sequestration issue nor the Debt Ceiling issue has been resolved by Congress there remains a risk that Federal funding for various educational programs will be cut in the future when these issues resurface again. While funding of government programs is never guaranteed forever, the lack of resolve in Washington to find a long term solution to these federal budget issues over the past year or two has created uncertainty for many people and all educational institutions. The series of very short term solutions combined with pushing out deadlines a few months at a time has created a cycle of continuous uncertainty related to federal funding for education.
- **Labor Relations:** The District settled labor contracts with two represented groups and concluded wage re-opener discussions with two other represented groups during the spring / summer of 2013. The expiration dates for these contracts now vary from June 30, 2014 through December 31, 2015. Additionally, the District made minor updates to its handbook covering the non-represented group of administration employees for the period July 1, 2013 through June 30, 2014. These four represented groups plus the non-represented administration group cover all the regular full-time employees of the District. This is noted for the readers' information only and not to point out any expected issue or concern. The District has had a good working relationship in the past with all of its union partners and employees, and the District expects this to continue into the future.

### 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.

This page intentionally left blank.

## BASIC FINANCIAL STATEMENTS

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Net Position

June 30, 2013

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 17,223,491
Investments	815,928
Receivables	4,342,789
Prepaid items and other assets	846,510
Capital assets not being depreciated	25,007
Capital assets being depreciated, net	<u>12,651,379</u>
<b>Total assets</b>	<u>35,905,104</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	6,540,213
Unearned revenue	702,461
Long-term debt:	
Due within one year	62,255
Due in more than one year	<u>939,020</u>
<b>Total liabilities</b>	<u>8,243,949</u>
<b>Net position</b>	
Net investment in capital assets	11,811,386
Restricted for:	
Capital projects	5,769,237
Other purposes	7,182,748
Unrestricted	<u>2,897,784</u>
<b>Total net position</b>	<u><u>\$ 27,661,155</u></u>

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Activities For the Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 15,721,696	\$ -	\$ 12,110,052	\$ (3,611,644)
Supporting services	33,086,514	320,896	3,591,235	(29,174,383)
Payments to other governments	12,561,839	-	-	(12,561,839)
Interest on long-term debt	55,488	-	-	(55,488)
Unallocated depreciation	1,179,263	-	-	(1,179,263)
<b>Total governmental activities</b>	<b>\$ 62,604,800</b>	<b>\$ 320,896</b>	<b>\$ 15,701,287</b>	<b>(46,582,617)</b>
General revenues:				
Property taxes				36,410,599
Unrestricted state aid				9,535,336
Grants and contributions not restricted to specific programs				4,908,816
Unrestricted investment earnings				64,339
<b>Total general revenues</b>				<b>50,919,090</b>
Change in net position				4,336,473
Net position, beginning of year				23,324,682
<b>Net position, end of year</b>				<b>\$ 27,661,155</b>

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Balance Sheet

Governmental Funds

June 30, 2013

	General	Special Education	Career Technical Education
<b>Assets</b>			
Cash and cash equivalents	\$ 4,672,287	\$ 5,948,461	\$ 5,535,115
Investments	-	5,577	810,351
Accounts receivable	2,444	-	-
Due from other governments	1,947,605	1,912,770	381,347
Due from other funds	99,576	1,500,000	-
Inventories	10,870	-	-
Prepaid items	537,128	4,435	8,785
Land held for resale	-	-	285,292
<b>Total assets</b>	<b>\$ 7,269,910</b>	<b>\$ 9,371,243</b>	<b>\$ 7,020,890</b>
<b>Liabilities</b>			
Accounts payable	\$ 436,199	\$ 268,512	\$ 73,872
Salaries payable	52,880	2,585,522	699,902
Due to other governments	466,896	-	-
Accrued expenditures	90,785	1,378,946	337,700
Due to other funds	2,725,755	1,923,651	2,532,148
Unearned revenue	702,461	-	-
<b>Total liabilities</b>	<b>4,474,976</b>	<b>6,156,631</b>	<b>3,643,622</b>
<b>Deferred inflows of resources</b>			
Unavailable account receivables	159,036	-	25,944
<b>Fund balances</b>			
<b>Nonspendable:</b>			
Inventories	10,870	-	-
Prepaid items	537,128	4,435	8,785
Land held for resale	-	-	285,292
<b>Restricted for:</b>			
Special education	-	3,210,177	-
Career technical education	-	-	3,057,247
Training assistance	-	-	-
<b>Capital projects:</b>			
Projects	-	-	-
Technology	-	-	-
Assigned - technical consortium	350,000	-	-
Unassigned	1,737,900	-	-
<b>Total fund balances</b>	<b>2,635,898</b>	<b>3,214,612</b>	<b>3,351,324</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,269,910</b>	<b>\$ 9,371,243</b>	<b>\$ 7,020,890</b>

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



Recurring Projects	Other Governmental Funds	Totals
\$ 117,404	\$ 810,877	\$ 17,084,144
-	-	815,928
-	-	2,444
-	27,375	4,269,097
5,678,554	3,000	7,281,130
-	-	10,870
-	-	550,348
-	-	285,292
<u>\$ 5,795,958</u>	<u>\$ 841,252</u>	<u>\$ 30,299,253</u>
\$ 136,519	\$ 12,480	\$ 927,582
-	-	3,338,304
-	-	466,896
-	-	1,807,431
96,770	2,482	7,280,806
-	-	702,461
<u>233,289</u>	<u>14,962</u>	<u>14,523,480</u>
-	2,910	187,890
-	-	10,870
-	-	550,348
-	-	285,292
-	-	3,210,177
-	-	3,057,247
-	616,812	616,812
5,562,669	-	5,562,669
-	206,568	206,568
-	-	350,000
-	-	1,737,900
<u>5,562,669</u>	<u>823,380</u>	<u>15,587,883</u>
<u>\$ 5,795,958</u>	<u>\$ 841,252</u>	<u>\$ 30,299,253</u>

This page intentionally left blank.



# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2013

Fund balances - total governmental funds	\$ 15,587,883
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	25,007
Capital assets being depreciated, net	12,651,379
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 accounts receivable	188,345
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	209,816
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	(865,000)
Compensated absences	(136,275)
Net position of governmental activities	<u>\$ 27,661,155</u>

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

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

Governmental Funds

For the Year Ended June 30, 2013

	General	Special Education	Career Technical Education
<b>Revenues</b>			
Local sources	\$ 5,800,952	\$ 28,703,109	\$ 9,455,548
State sources	4,767,699	9,406,226	1,355,914
Federal sources	267,090	6,445,127	367,991
<b>Total revenues</b>	<u>10,835,741</u>	<u>44,554,462</u>	<u>11,179,453</u>
<b>Expenditures</b>			
Current:			
Instruction	-	9,904,809	5,816,887
Supporting services	9,706,367	20,394,377	3,511,364
Payments to other governmental entities or units	2,457,309	9,950,324	72,001
Debt service:			
Principal repayment	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay -			
Technology capital improvements	-	-	-
<b>Total expenditures</b>	<u>12,163,676</u>	<u>40,249,510</u>	<u>9,400,252</u>
<b>Revenues over (under) expenditures</b>	<u>(1,327,935)</u>	<u>4,304,952</u>	<u>1,779,201</u>
<b>Other financing sources (uses)</b>			
Sale of capital assets	200	-	-
Transfers in	2,670,000	547	-
Transfers out	(1,000,000)	(2,891,125)	(2,110,000)
<b>Total other financing sources (uses)</b>	<u>1,670,200</u>	<u>(2,890,578)</u>	<u>(2,110,000)</u>
<b>Net change in fund balances</b>	342,265	1,414,374	(330,799)
<b>Fund balances, beginning of year</b>	<u>2,293,633</u>	<u>1,800,238</u>	<u>3,682,123</u>
<b>Fund balances, end of year</b>	<u>\$ 2,635,898</u>	<u>\$ 3,214,612</u>	<u>\$ 3,351,324</u>

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



Recurring Projects	Other Governmental Funds	Totals
\$ 479	\$ 112,490	\$ 44,072,578
-	266,749	15,796,588
-	-	7,080,208
<u>479</u>	<u>379,239</u>	<u>66,949,374</u>
-	-	15,721,696
578,401	41,037	34,231,546
-	-	12,479,634
-	231,646	231,646
-	55,488	55,488
-	50,146	50,146
<u>578,401</u>	<u>378,317</u>	<u>62,770,156</u>
<u>(577,922)</u>	<u>922</u>	<u>4,179,218</u>
-	-	200
3,250,000	81,125	6,001,672
-	(547)	(6,001,672)
<u>3,250,000</u>	<u>80,578</u>	<u>200</u>
2,672,078	81,500	4,179,418
<u>2,890,591</u>	<u>741,880</u>	<u>11,408,465</u>
<u>\$ 5,562,669</u>	<u>\$ 823,380</u>	<u>\$ 15,587,883</u>

This page intentionally left blank.

# 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, 2013

Net change in fund balances - total governmental funds	\$ 4,179,418
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	1,040,765
Depreciation expense	(1,179,263)
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.	
Payments received on long-term Durant Settlement receivable	(196,646)
Change in deferred accounts receivables	188,345
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term liabilities	231,646
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 accrual for compensated absences	(8,252)
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 gain from governmental activities accounted for in internal service funds	<u>80,460</u>
Change in net position of governmental activities	<u><u>\$ 4,336,473</u></u>

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

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

Budget and Actual - General Fund

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
<b>Revenues</b>					
Local sources:					
Property tax levy	\$ 1,375,000	\$ 1,415,000	\$ 1,422,419	\$ 7,419	\$ 1,448,260
Earnings on investments and deposits	10,000	16,000	18,738	2,738	17,806
Rentals	11,200	8,200	7,520	(680)	11,450
Other	4,205,150	4,417,744	4,352,275	(65,469)	3,318,298
<b>Total local sources</b>	<b>5,601,350</b>	<b>5,856,944</b>	<b>5,800,952</b>	<b>(55,992)</b>	<b>4,795,814</b>
State sources:					
State school aid	1,948,600	1,945,700	2,471,989	526,289	1,948,273
Other	1,876,241	3,124,071	2,295,710	(828,361)	1,541,780
<b>Total state sources</b>	<b>3,824,841</b>	<b>5,069,771</b>	<b>4,767,699</b>	<b>(302,072)</b>	<b>3,490,053</b>
Federal sources:					
Title I	10,000	30,000	17,463	(12,537)	10,000
Title II	22,397	22,402	14,943	(7,459)	19,356
Drug Free	5,000	-	-	-	4,403
Other	356,077	651,349	234,684	(416,665)	350,577
<b>Total federal sources</b>	<b>393,474</b>	<b>703,751</b>	<b>267,090</b>	<b>(436,661)</b>	<b>384,336</b>
<b>Total revenues</b>	<b>9,819,665</b>	<b>11,630,466</b>	<b>10,835,741</b>	<b>(794,725)</b>	<b>8,670,203</b>
<b>Expenditures</b>					
Supporting services:					
Pupil support	290,922	505,310	380,489	(124,821)	279,437
Instructional support	2,573,702	2,915,034	2,340,808	(574,226)	2,518,462
General administration	467,520	429,870	428,944	(926)	405,803
Business services	1,063,465	1,046,317	1,127,523	81,206	1,006,441
Operations and maintenance	745,490	788,740	526,201	(262,539)	447,280
Central services	5,005,127	5,046,222	4,820,197	(226,025)	3,564,942
Community services	217,480	210,984	82,205	(128,779)	151,953
<b>Total supporting services</b>	<b>10,363,706</b>	<b>10,942,477</b>	<b>9,706,367</b>	<b>(1,236,110)</b>	<b>8,374,318</b>
Payments to other governmental entities or units	2,094,479	2,932,371	2,457,309	(475,062)	1,769,595
<b>Total expenditures</b>	<b>12,458,185</b>	<b>13,874,848</b>	<b>12,163,676</b>	<b>(1,711,172)</b>	<b>10,143,913</b>
<b>Revenues over (under) expenditures</b>	<b>(2,638,520)</b>	<b>(2,244,382)</b>	<b>(1,327,935)</b>	<b>916,447</b>	<b>(1,473,710)</b>

continued...

JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances**

Budget and Actual - General Fund

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Other financing sources (uses)					
Sale of capital assets	\$ -	\$ 200	\$ 200	\$ -	\$ -
Transfers in	2,370,000	2,670,000	2,670,000	-	1,550,976
Transfers out	-	-	(1,000,000)	1,000,000	(335,734)
<b>Total other financing sources</b>	<b>2,370,000</b>	<b>2,670,200</b>	<b>1,670,200</b>	<b>1,000,000</b>	<b>1,215,242</b>
<b>Net change in fund balance</b>	<b>(268,520)</b>	<b>425,818</b>	<b>342,265</b>	<b>(83,553)</b>	<b>(258,468)</b>
<b>Fund balance, beginning of year</b>	<b>2,293,633</b>	<b>2,293,633</b>	<b>2,293,633</b>	<b>-</b>	<b>2,552,101</b>
<b>Fund balance, end of year</b>	<b>\$ 2,025,113</b>	<b>\$ 2,719,451</b>	<b>\$ 2,635,898</b>	<b>\$ (83,553)</b>	<b>\$ 2,293,633</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 Balances

Budget and Actual - Special Education Special Revenue Fund

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
<b>Revenues</b>					
Local sources:					
Property taxes	\$ 22,600,000	\$ 25,930,000	\$ 26,087,242	\$ 157,242	\$ 23,694,930
Earnings on investments and deposits	4,000	5,000	17,438	12,438	9,899
Contributions	1,135	1,785	1,247	(538)	1,904
Medicaid fee for service	1,600,000	2,470,000	2,474,996	4,996	2,790,146
Other	13,000	96,243	122,186	25,943	213,913
<b>Total local sources</b>	<b>24,218,135</b>	<b>28,503,028</b>	<b>28,703,109</b>	<b>200,081</b>	<b>26,710,792</b>
State sources:					
State school aid - unrestricted	4,839,256	6,424,589	6,440,559	15,970	5,051,496
State school aid - restricted	2,747,626	2,968,626	2,965,667	(2,959)	2,747,112
<b>Total state sources</b>	<b>7,586,882</b>	<b>9,393,215</b>	<b>9,406,226</b>	<b>13,011</b>	<b>7,798,608</b>
Federal sources:					
IDEA Flowthrough	5,751,600	5,753,536	5,753,536	-	6,389,956
Preschool incentive	227,323	260,026	187,364	(72,662)	241,995
Infant and toddler early intervention	163,307	328,426	328,426	-	26,130
State initiated	135,000	156,000	175,801	19,801	160,209
<b>Total federal sources</b>	<b>6,277,230</b>	<b>6,497,988</b>	<b>6,445,127</b>	<b>(52,861)</b>	<b>6,818,290</b>
<b>Total revenues</b>	<b>38,082,247</b>	<b>44,394,231</b>	<b>44,554,462</b>	<b>160,231</b>	<b>41,327,690</b>
<b>Expenditures</b>					
Instruction -					
Added needs - special education	9,172,525	9,980,786	9,904,809	(75,977)	9,728,561
Supporting services:					
Pupil support	13,693,815	13,432,765	13,125,870	(306,895)	11,986,490
Instructional support	1,753,944	1,803,327	1,830,941	27,614	1,616,960
General administration	765,146	762,846	677,398	(85,448)	727,115
School administration	419,523	418,123	373,064	(45,059)	389,238
Business services	276,000	311,200	294,444	(16,756)	282,967
Operations and maintenance	765,300	793,400	774,506	(18,894)	765,550
Transportation	2,802,211	3,187,911	3,042,546	(145,365)	2,944,426
Central services	188,981	279,581	275,608	(3,973)	203,611
<b>Total supporting services</b>	<b>20,664,920</b>	<b>20,989,153</b>	<b>20,394,377</b>	<b>(594,776)</b>	<b>18,916,357</b>
Payments to other governmental entities or units	6,934,200	9,949,652	9,950,324	672	10,186,626
<b>Total expenditures</b>	<b>36,771,645</b>	<b>40,919,591</b>	<b>40,249,510</b>	<b>(670,081)</b>	<b>38,831,544</b>
<b>Revenues over expenditures</b>	<b>1,310,602</b>	<b>3,474,640</b>	<b>4,304,952</b>	<b>830,312</b>	<b>2,496,146</b>

continued...



# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

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

Budget and Actual - Special Education Special Revenue Fund

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Other financing sources (uses)					
Transfers in	\$ 150,000	\$ 150,000	\$ 547	\$ (149,453)	\$ 633,565
Transfers out	(1,260,000)	(2,472,216)	(2,891,125)	418,909	(1,332,788)
Total other financing sources (uses)	(1,110,000)	(2,322,216)	(2,890,578)	269,456	(699,223)
Net change in fund balance	200,602	1,152,424	1,414,374	261,950	1,796,923
Fund balance, beginning of year	1,800,238	1,800,238	1,800,238	-	3,315
Fund balance, end of year	\$ 2,000,840	\$ 2,952,662	\$ 3,214,612	\$ 261,950	\$ 1,800,238

concluded.

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

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

Budget and Actual - Career Technical Education Special Revenue Fund

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
<b>Revenues</b>					
Local sources:					
Property taxes	\$ 8,600,000	\$ 8,850,000	\$ 8,900,938	\$ 50,938	\$ 8,993,786
Tuition	250,000	270,300	303,886	33,586	274,164
Earnings on investments and deposits	18,000	21,500	26,918	5,418	27,398
Other	146,400	274,600	223,806	(50,794)	461,217
<b>Total local sources</b>	<b>9,014,400</b>	<b>9,416,400</b>	<b>9,455,548</b>	<b>39,148</b>	<b>9,756,565</b>
State sources:					
Unrestricted state aid	934,599	882,899	912,679	29,780	952,279
Vocational education	457,320	422,120	429,235	7,115	462,969
Other	-	14,000	14,000	-	14,600
<b>Total state sources</b>	<b>1,391,919</b>	<b>1,319,019</b>	<b>1,355,914</b>	<b>36,895</b>	<b>1,429,848</b>
Federal sources -					
Perkins	368,000	367,991	367,991	-	310,883
<b>Total revenues</b>	<b>10,774,319</b>	<b>11,103,410</b>	<b>11,179,453</b>	<b>76,043</b>	<b>11,497,296</b>
<b>Expenditures</b>					
Instruction:					
Basic programs - vocational education	6,104,763	5,794,077	5,539,150	(254,927)	6,352,077
Adult education	263,616	299,016	277,737	(21,279)	264,883
<b>Total instruction</b>	<b>6,368,379</b>	<b>6,093,093</b>	<b>5,816,887</b>	<b>(276,206)</b>	<b>6,616,960</b>
Supporting services:					
Pupil support	751,026	771,463	741,103	(30,360)	753,445
Instructional support	488,182	619,081	431,076	(188,005)	385,161
School administration	613,647	614,537	592,069	(22,468)	631,563
Business services	132,000	128,000	110,791	(17,209)	97,680
Operations and maintenance	1,048,930	1,199,699	868,458	(331,241)	892,342
Transportation	48,409	51,419	47,069	(4,350)	74,642
Central services	719,994	738,256	720,798	(17,458)	681,097
<b>Total supporting services</b>	<b>3,802,188</b>	<b>4,122,455</b>	<b>3,511,364</b>	<b>(611,091)</b>	<b>3,515,930</b>
Payments to other governmental entities or units	250,001	100,501	72,001	(28,500)	216,757
<b>Total expenditures</b>	<b>10,420,568</b>	<b>10,316,049</b>	<b>9,400,252</b>	<b>(915,797)</b>	<b>10,349,647</b>
<b>Revenues over expenditures</b>	<b>353,751</b>	<b>787,361</b>	<b>1,779,201</b>	<b>991,840</b>	<b>1,147,649</b>

continued...

## JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

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

Budget and Actual - Career Technical Education Special Revenue Fund

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Over (under) Final Budget	
Other financing sources (uses)					
Sale of capital assets	\$ 13,000	\$ -	\$ -	\$ -	\$ 19,951
Transfers in	-	-	-	-	92,739
Transfers out	(1,360,000)	(1,510,000)	(2,110,000)	600,000	(1,457,450)
<b>Total other financing uses</b>	<b>(1,347,000)</b>	<b>(1,510,000)</b>	<b>(2,110,000)</b>	<b>600,000</b>	<b>(1,344,760)</b>
<b>Net change in fund balance</b>	<b>(993,249)</b>	<b>(722,639)</b>	<b>(330,799)</b>	<b>391,840</b>	<b>(197,111)</b>
Fund balance, beginning of year	3,682,123	3,682,123	3,682,123	-	3,879,234
<b>Fund balance, end of year</b>	<b>\$ 2,688,874</b>	<b>\$ 2,959,484</b>	<b>\$ 3,351,324</b>	<b>\$ 391,840</b>	<b>\$ 3,682,123</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, 2013

	Governmental Activities	Internal Service Funds
Assets		
Cash	\$ 139,347	
Due from other governments		<u>71,248</u>
Total assets		<u>210,595</u>
Liabilities		
Due to other funds		<u>324</u>
Deferred inflows of resources		
Unavailable account receivables		<u>455</u>
Net position		
Restricted	\$	<u><u>209,816</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, 2013

	Governmental Activities
	Internal Service Funds
Operating revenues	
Charges for services	\$ 196,957
Operating expenses	
Supporting services	<u>116,497</u>
Operating income	80,460
Net position, beginning of year	<u>129,356</u>
Net position, end of year	<u><u>\$ 209,816</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, 2013

	Governmental Activities
	Internal Service Funds
Cash flows from operating activities	
Cash received from customers	\$ 126,033
Cash payments for goods and services	(116,042)
	<hr/>
Net cash provided by operating activities	9,991
Cash and cash equivalents, beginning of year	129,356
	<hr/>
Cash and cash equivalents, end of year	<u>\$ 139,347</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 80,460
Adjustments to reconcile operating income to net cash provided by operating activities	
Change in:	
Due from other governments	(71,248)
Due to other funds	324
Deferred inflows	455
	<hr/>
Net cash provided by operating activities	<u>\$ 9,991</u>

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Fiduciary Net Position - All Fiduciary Funds

June 30, 2013

	Private Purpose Trust Fund	Agency Fund
	Imagination Library	
<b>Assets</b>		
Cash and cash equivalents	\$ 58,418	\$ 72,253
	<u>          </u>	<u>          </u>
<b>Liabilities</b>		
Accounts payable	7,739	\$ -
Due to student groups and activities	-	72,253
	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<u>7,739</u>	<u>\$ 72,253</u>
<b>Net position</b>		
Unrestricted	<u>\$ 50,679</u>	

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, 2013

Revenues	
Local sources-	
Contributions	<u>\$ 58,600</u>
Expenses	
Books	5,271
Other expenses	<u>2,650</u>
Total expenses	<u>7,921</u>
Change in net position	50,679
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ 50,679</u></u>

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



## NOTES TO FINANCIAL STATEMENTS

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

Jackson County Intermediate School District (the “District”) has followed the guidelines of the Governmental Accounting Standards Board 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

Additionally, the District reports the following fund types:

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

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

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

*Private purpose trust funds* are 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 funds* account for assets held for student activity groups and organizations and are custodial in nature.

*Internal service funds* are 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, liabilities and equity

#### *Deposits and investments*

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

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

#### *Receivables and payables*

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

#### *Inventory and prepaids*

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

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

#### *Capital assets*

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

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

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

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### *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 assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

### *Deferred inflows of resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 accounts receivable. 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.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### Fund equity

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

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

## 2. BUDGETARY INFORMATION

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

## 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Budget to actual comparisons for the general fund and each major special revenue fund are presented in the fund financial statements at the legal level of budgetary control. Expenditures in excess of appropriations for the year ended June 30, 2013 are as follows:

	Final Budget	Actual	Over Budget
General:			
Supporting services - business services	\$ 1,046,317	\$ 1,127,523	\$ 81,206
Transfers out	-	1,000,000	1,000,000
Special Education:			
Supporting services - Instructional support	1,803,327	1,830,941	27,614
Payments to other governmental entities or units	9,949,652	9,950,324	672
Transfers out	2,472,216	2,891,125	418,909
Career Technical Education -			
Transfers out	1,510,000	2,110,000	600,000

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 4. DEPOSITS AND INVESTMENTS

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

Statement of Net Position	
Cash and cash equivalents	\$ 17,223,491
Investments	815,928
Statement of Fiduciary Net Position	
Cash and cash equivalents	<u>130,671</u>
Total	<u>\$ 18,170,090</u>
Deposits and investments	
Cash on hand	\$ 1,150
Bank deposits (checking, savings accounts and CDs)	14,458,798
Investments	<u>3,710,142</u>
Total	<u>\$ 18,170,090</u>

#### Statutory Authority

State statutes authorize the District to invest in:

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

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

The District chooses to disclose its investments by specifically identifying each. At June 30, 2013, the District had the following investments:

Deposit / Investment	Maturity	Fair Value	Rating
Comerica Investment Pool	n/a	\$ 177,019	n/a
Money Market Funds	n/a	3,173,040	n/a
Michigan Liquid Asset Fund	n/a	<u>360,083</u>	S&P - AAA
		<u>\$ 3,710,142</u>	

### Deposit and investment risk

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

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$14,189,347 of the District’s bank balance of \$14,780,824 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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



# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 5. RECEIVABLES

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

	General	Special Education	Career Tech Education	Nonmajor Funds
Intergovernmental	\$ 1,947,605	\$ 1,912,770	\$ 381,347	\$ 27,375
Accounts receivable	2,444	-	-	-
	<u>\$ 1,950,049</u>	<u>\$ 1,912,770</u>	<u>\$ 381,347</u>	<u>\$ 27,375</u>
	Internal Service Fund	Total Receivables		
Intergovernmental	71,248	4,340,345		
Accounts receivable	-	2,444		
	<u>\$ 71,248</u>	<u>\$ 4,342,789</u>		

### 6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated -				
Land	\$ 25,007	\$ -	\$ -	\$ 25,007
Capital assets, being depreciated:				
Land improvements	2,538,610	9,650	-	2,548,260
Buildings and improvements	22,240,558	714,165	-	22,954,723
Furniture and equipment	3,169,132	316,950	(441,395)	3,044,687
Transportation equipment	2,660,317	-	(178,126)	2,482,191
	<u>30,608,617</u>	<u>1,040,765</u>	<u>(619,521)</u>	<u>31,029,861</u>
Less accumulated depreciation for:				
Land improvements	(305,301)	(76,432)	-	(381,733)
Buildings and improvements	(13,839,844)	(660,505)	-	(14,500,349)
Furniture and equipment	(1,908,079)	(244,727)	441,395	(1,711,411)
Transportation equipment	(1,765,516)	(197,599)	178,126	(1,784,989)
	<u>(17,818,740)</u>	<u>(1,179,263)</u>	<u>619,521</u>	<u>(18,378,482)</u>
Total capital assets being depreciated, net	<u>12,789,877</u>	<u>(138,498)</u>	<u>-</u>	<u>12,651,379</u>
Governmental activities capital assets, net	<u>\$ 12,814,884</u>	<u>\$ (138,498)</u>	<u>\$ -</u>	<u>\$12,676,386</u>

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

Depreciation expense of \$1,179,263 was reported on the statement of activities as “unallocated depreciation” (i.e., not allocated to functions/programs).

### 7. PAYABLES

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

	General	Special Education	Career Technical Education	Nonmajor Governmental Funds
Accounts payable	\$ 436,199	\$ 268,512	\$ 73,872	\$ 12,480
Salaries payable	52,880	2,585,522	699,902	-
Due to other governments	466,896	-	-	-
Accrued liabilities	90,785	1,378,946	337,700	-
	<u>\$ 1,046,760</u>	<u>\$ 4,232,980</u>	<u>\$ 1,111,474</u>	<u>\$ 12,480</u>

  

	Recurring Projects	Totals
Accounts payable	\$ 136,519	\$ 927,582
Salaries payable	-	3,338,304
Due to other governments	-	466,896
Accrued liabilities	-	1,807,431
	<u>\$ 136,519</u>	<u>\$ 6,540,213</u>

### 8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2013, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General	\$ 99,576	\$ 2,725,755
Special Education	1,500,000	1,923,651
Career Technical Education	-	2,532,148
Recurring Projects	5,678,554	96,770
Nonmajor governmental funds	3,000	2,482
Internal service fund	-	324
	<u>\$ 7,281,130</u>	<u>\$ 7,281,130</u>

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

For the year ended June 30, 2013, interfund transfers consisted of the following:

	Transfers in	Transfers out
General	\$ 2,670,000	1,000,000
Special Education	547	2,891,125
Career Technical Education	-	2,110,000
Recurring projects	3,250,000	-
Nonmajor governmental funds	81,125	547
Internal service fund	-	-
	<u>\$ 6,001,672</u>	<u>\$ 6,001,672</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, 2013, the District transferred funds to provide funds for capital projects and debt service, and to return surplus special education and capital projects funds to the general fund.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 9. LONG-TERM DEBT

Long-term debt and other obligations of the District at June 30, 2013, are summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
1998 Durant School Improvement Bonds	\$ 196,646	\$ -	\$ (196,646)	\$ -	\$ -
2009 School Building & Site Bonds, due in annual installments of \$35,000 to \$75,000 through the year 2029; interest at 2.0%	900,000	-	(35,000)	865,000	35,000
Total Installment Debt	1,096,646	-	(231,646)	865,000	35,000
Compensated absences	128,023	8,252	-	136,275	27,255
Total Long-Term Debt	<u>\$ 1,224,669</u>	<u>\$ 8,252</u>	<u>\$ (231,646)</u>	<u>\$ 1,001,275</u>	<u>\$ 62,255</u>

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

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 35,000	\$ 44,213	\$ 79,213
2015	40,000	42,550	82,550
2016	40,000	40,650	80,650
2017	40,000	38,750	78,750
2018	45,000	36,850	81,850
2019-2023	255,000	149,763	404,763
2024-2028	335,000	76,863	411,863
2029	75,000	4,125	79,125
Totals	<u>\$ 865,000</u>	<u>\$ 433,763</u>	<u>\$ 1,298,763</u>

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 10. LEASE AGREEMENTS

The District entered into an operating lease agreement for 3 buses with an original balance of \$276,933. The future minimum lease obligation of these minimum lease payments as of June 30, 2013 are as follows:

Year	Amount
2014	\$ 54,061
2015	54,061
2016	<u>133,918</u>
	<u>\$ 242,040</u>

Rental expense on these two buses was \$54,061 for the year ended June 30, 2013.

### 11. RISK MANAGEMENT

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

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 fund. Changes in the estimated liability are as follows:

	2013	2012
Estimated liability, beginning of year	\$ 33,515	\$ 36,329
Estimated claims incurred, including changes in estimates	737,622	474,250
Claim payments	<u>(712,120)</u>	<u>(477,064)</u>
Estimated liability, end of year	<u>\$ 59,017</u>	<u>\$ 33,515</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.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 12. CONTINGENCY

The District was made aware of a pending property tax appeal with the Michigan Tax Tribunal that could potentially impact the District's 2013-2014 tax revenues by approximately \$229,000, and could potentially become even larger in subsequent years. The District is currently uncertain of the outcome.

### 13. DEFINED BENEFIT PENSION PLAN

#### Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPSERS), a collection of several retirement plans administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPSERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute. The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-5103.

#### Funding Policy

##### *Defined Benefit Plans*

Member contribution rates vary based on date of hire and certain voluntary elections. Member Investment Plan ("MIP") members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2008 contribute at the following graduated permanently fixed contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Members first hired July 1, 2008 through June 30, 2010 contribute at the following graduated permanently fixed contribution rates: 3.0 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 6.4 percent of all wages over \$15,000. Basic Plan members make no contributions. Members first enrolled on or after July 1, 2010 are enrolled in the MIP Plus Plan. Member contributions are matched at a rate of 50 percent by the employer, up to a maximum of one percent. Basic 4% and MIP 7% members contribute 4 percent and 7 percent of pretax salary, respectively. Based on the option selected at enrollment, these individuals contribute at a fixed rate until termination of employment or until reaching 30 years of service. At that time, based on the option selected, employee contributions are no longer required or revert to the contribution requirements under the MIP plan in which the employee initially enrolled.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The rates for the year ended June 30, 2013 as a percentage of payroll ranged from 20.96 to 25.39 percent.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### *Hybrid Plans*

Effective February 1, 2013, members that initially enrolled in the defined benefit plan were provided the option to convert to a defined contribution plan. In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4 percent employer contributions to a personal 401(k) account. Voluntary employee contributions are permitted in accordance with IRS guidelines. Employer contributions and earnings thereon vest based on the following schedule: 50 percent at 2 years of service, 75 percent at 3 years of service, and 100 percent at 4 years of service. Any voluntary contributions vest with the employee immediately. If a member participating in the hybrid plan retires with certain age and service requirements, he or she will receive a monthly pension based on compensation received before February 1, 2013.

### *Defined Contribution Plan*

A member first enrolling in MPSERS on or after September 4, 2012 is automatically enrolled in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the hybrid plan as described above.

The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS under all plans for the years ended June 30, 2013, 2012, and 2011 were \$6,304,661, \$5,608,808, and \$4,443,684, respectively, equal to the required contributions for each year.

## 14. OTHER POSTEMPLOYMENT BENEFITS

### Other Postemployment Benefits

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

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

The District's contributions to MPSERS for other postemployment benefits are not separately identified and are included in the contribution amounts disclosed above.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 15. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2013 included capital assets of \$12,676,386 net of accumulated depreciation of \$18,378,482, less related debt of \$865,000, for a net amount of \$11,811,386.

■ ■ ■ ■ ■



## COMBINING FUND STATEMENTS

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Special Revenue	Debt Service		Capital Projects	Totals
	Training Assistance	Durant Debt Service	2009 Debt Service	Technology	
<b>Assets</b>					
Cash and cash equivalents	\$ 598,515	\$ -	\$ -	\$ 212,362	\$ 810,877
Due from other governments	27,375	-	-	-	27,375
Due from other funds	-	-	-	3,000	3,000
<b>Total assets</b>	<b>\$ 625,890</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 215,362</b>	<b>\$ 841,252</b>
<b>Liabilities</b>					
Accounts payable	\$ 4,600	\$ -	\$ -	\$ 7,880	\$ 12,480
Due to other funds	1,568	-	-	914	2,482
<b>Total liabilities</b>	<b>6,168</b>	<b>-</b>	<b>-</b>	<b>8,794</b>	<b>14,962</b>
<b>Deferred inflows of resources</b>					
Unavailable account receivables	2,910	-	-	-	2,910
<b>Fund balances</b>					
Restricted	616,812	-	-	206,568	823,380
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 625,890</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 215,362</b>	<b>\$ 841,252</b>

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended June 30, 2013

	Special Revenue	Debt Service		Capital Projects	
	Training Assistance	Durant Debt Service	2009 Debt Service	Technology	Totals
<b>Revenues</b>					
Local revenue:					
Tuition	\$ 17,010	\$ -	\$ -	\$ -	\$ 17,010
Earnings on investments and deposits	-	-	1	765	766
Other	2,644	-	-	92,070	94,714
State revenue	60,740	206,009	-	-	266,749
<b>Total revenues</b>	<b>80,394</b>	<b>206,009</b>	<b>1</b>	<b>92,835</b>	<b>379,239</b>
<b>Expenditures</b>					
Supporting services - other	41,037	-	-	-	41,037
Debt service:					
Principal	-	196,646	35,000	-	231,646
Interest	-	9,363	46,125	-	55,488
Capital outlay - Technology capital improvements	-	-	-	50,146	50,146
<b>Total expenditures</b>	<b>41,037</b>	<b>206,009</b>	<b>81,125</b>	<b>50,146</b>	<b>378,317</b>
Revenues over (under) expenditures	39,357	-	(81,124)	42,689	922
<b>Other financing sources</b>					
Transfers in	-	-	81,125	-	81,125
Transfers out	-	-	(547)	-	(547)
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>80,578</b>	<b>-</b>	<b>80,578</b>
Net change in fund balances	39,357	-	(546)	42,689	81,500
Fund balance, beginning of year	577,455	-	546	163,879	741,880
<b>Fund balance, end of year</b>	<b>\$ 616,812</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 206,568</b>	<b>\$ 823,380</b>

This page intentionally left blank.

## SINGLE AUDIT ACT COMPLIANCE

This page intentionally left blank.

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

November 4, 2013

To the Board of Education of  
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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 4, 2013, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Rehmann Robson LLC*

This page intentionally left blank.



This page intentionally left blank.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
<b>U.S. Department of Agriculture</b>			
2011-2012 Michigan Nutrition Network - SPLASH	10.561	Direct	-n/a-
2012-2013 Michigan Nutrition Network - SPLASH	10.561	Direct	-n/a-
<b>Total U.S. Department of Agriculture</b>			
<b>U.S. Department of Education</b>			
Special Education Cluster:			
2010-2011 IDEA Flowthrough	84.027A	MDE	110450-1011
2011-2012 IDEA Flowthrough	84.027A	MDE	120450-1112
2012-2013 IDEA Flowthrough	84.027A	MDE	130450-1213
2011-2012 State Initiated / Competitive EOSD	84.027A	MDE	120480-EOSD
2012-2013 State Initiated / Competitive EOSD	84.027A	MDE	130480-EOSD
2011-2012 State Initiated / Department TS	84.027A	MDE	120490-TS
2012-2013 State Initiated / Department TS	84.027A	MDE	130490-TS
2010-2011 Preschool Incentive	84.173A	MDE	110460-1011
2011-2012 Preschool Incentive	84.173A	MDE	120460-1112
2012-2013 Preschool Incentive	84.173A	MDE	130460-1112
2012-2013 Title I Regional Assistance	84.010	MDE	131570-1213
2011-2012 Infant and Toddler Formula	84.181A	MDE	121340-190
2012-2013 Infant and Toddler Formula	84.181A	MDE	131340-190
2011-2012 Title II, Part A Regular	84.367	MDE	12052-1112

Approved Awards Amount	Accrued (Unearned) Revenue at July 1, 2012	Federal Funds / Payments In-Kind Received	Expenditures	Accrued (Unearned) Revenue at June 30, 2013
\$ 264,552	\$ 80,945	\$ 111,198	\$ 30,253	\$ -
181,798	-	103,404	132,475	29,071
	<u>80,945</u>	<u>214,602</u>	<u>162,728</u>	<u>29,071</u>
858	858	858	-	-
5,698,135	746,389	746,389	-	-
5,753,536	-	5,595,960	5,753,536	157,576
50,000	22,616	22,616	-	-
50,000	-	18,907	21,721	2,814
65,000	21,041	21,041	-	-
65,000	-	52,575	65,000	12,425
227,624	24,577	24,577	-	-
227,323	47,876	80,657	32,781	-
227,245	-	88,793	154,583	65,790
	<u>863,357</u>	<u>6,652,373</u>	<u>6,027,621</u>	<u>238,605</u>
30,000	-	16,643	17,463	820
163,307	-	163,307	163,307	-
165,119	-	96,059	165,119	69,060
	<u>-</u>	<u>259,366</u>	<u>328,426</u>	<u>69,060</u>
937	-	5	5	-

continued...

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
<b>U.S. Department of Education (concluded)</b>			
2009-10 McKinney-Vento Homeless Education	84.196A	MDE	102320-0910
2010-11 McKinney-Vento Homeless Education	84.196A	MDE	112320-1011C
2011-12 McKinney-Vento Homeless Education	84.196A	MDE	122320-1112
2011-12 McKinney-Vento Homeless Education	84.196A	MDE	122320-1112C
2012-13 McKinney-Vento Homeless Education	84.196A	MDE	132320-1112
ARRA RDI 2011-2012 Title II Part D	84.386	CISD	114240-RDI-1
2011-12 Perkins	84.048A	HCISD	-n/a-
2012-13 Perkins	84.048A	HCISD	-n/a-
<b>Total U.S. Department of Education</b>			
<b>U.S. Department of Health and Human Services</b>			
Medicaid Administrative Outreach 12-13	93.778	MDE	-n/a-
<b>Total Expenditures of Federal Awards</b>			

See notes to schedule of expenditures of federal awards.

Approved Awards Amount	Accrued (Unearned) Revenue at July 1, 2012	Federal Funds / Payments In-Kind Received	Expenditures	Accrued (Unearned) Revenue at June 30, 2013
\$ 42,860	\$ (6,530)	\$ -	\$ -	\$ (6,530)
50,145	634	634	-	-
74,577	6,096	6,096	-	-
46,528	-	45,232	48,849	3,617
71,526	-	23,107	23,107	-
	<u>200</u>	<u>75,069</u>	<u>71,956</u>	<u>(2,913)</u>
21,460	<u>6,658</u>	<u>21,596</u>	<u>14,938</u>	<u>-</u>
310,884	32,118	32,118	-	-
367,991	-	273,451	367,991	94,540
	<u>32,118</u>	<u>305,569</u>	<u>367,991</u>	<u>94,540</u>
	<u>902,333</u>	<u>7,330,621</u>	<u>6,828,400</u>	<u>400,112</u>
	<u>-</u>	<u>89,080</u>	<u>89,080</u>	<u>-</u>
	<u>\$ 983,278</u>	<u>\$ 7,634,303</u>	<u>\$ 7,080,208</u>	<u>\$ 429,183</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, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Michigan Nutrition Network - Splash	10.561	\$ 2,340
McKinney-Vento Homeless Grant	84.196A	<u>68,348</u>
		<u>\$ 70,688</u>

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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

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

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

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Schedule of Expenditures of Federal Awards

### 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
CISD	Calhoun Intermediate School District
HCISD	Hillsdale County Intermediate School District

■ ■ ■ ■ ■

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Federal Sub-Grantee Recipients

For the Year Ended June 30, 2013

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Current Year Expenditures
Michigan Nutrition Network-Splash 2013	84.391A	
Jackson Public Schools		\$ 277
daVinci		282
Paragon		170
Hillsdale		264
Jonesville		648
Litchfield		347
North Adams Jerome		88
Waldron Public Schools		88
Northwest		176
		<hr/>
<b>Total Splash Grant 2013</b>		<b>\$ 2,340</b>
		<hr/> <hr/>
<b>2011-12 McKinney-Vento Homeless Grant 122320</b>	84.196A	
Jackson Public Schools		\$ 11,838
Columbia School District		2,911
Concord Community Schools		2,524
East Jackson Public Schools		2,122
Grass Lake Community Schools		2,966
Hanover Horton Community Schools		2,957
Michigan Center School District		2,213
Napoleon Community Schools		167
Northwest Community Schools		6,263
Springport Public Schools		2,039
Vandercook Lake Public Schools		3,119
Western School District		4,767
daVinci Primary Schools		1,798
		<hr/>
<b>Total McKinney-Vento Homeless Grant 122320</b>		<b>\$ 45,684</b>
		<hr/> <hr/>
<b>2012-13 McKinney-Vento Homeless Grant 132320</b>	84.196A	
Jackson Public Schools		\$ 3,048
Concord Community Schools		2,686
East Jackson Public Schools		2,757
Grass Lake Community Schools		4
Michigan Center School District		2,598
Northwest Community Schools		3,170
Springport Public Schools		3,487
Vandercook Lake Public Schools		1,265
Western School District		1,461
daVinci Primary Schools		1,799
Paragon Charter Schools		390
		<hr/>
<b>Total McKinney-Vento Homeless Grant 132320</b>		<b>\$ 22,664</b>
		<hr/> <hr/>



Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

November 4, 2013

To the Board of Education of  
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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2013.

#### 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 Each Major Federal Program  
and on Internal Control over Compliance Required by OMB Circular A-133

November 4, 2013

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

Report on Compliance for Each 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 Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2013. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

*Independent Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on its 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 its major federal program. However, our audit does not provide a legal determination of the District's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

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

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

### *Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

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

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

#### Federal Awards

Internal control over major programs:

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

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

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? \_\_\_\_\_ yes  X  no

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

84.027, 84.173 Special Education Cluster

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

Auditee qualified as low-risk auditee?  x  yes \_\_\_\_\_ no

### SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2013

None reported.

■ ■ ■ ■ ■