

**Ionia County Intermediate School District**

**Financial Statements**

**June 30, 2018**



## Table of Contents

Section	Page	
1	<b>Members of the Board of Education and Administration</b>	1 - 1
2	<b>Independent Auditors' Report</b>	2 - 1
3	<b>Management's Discussion and Analysis</b>	3 - 1
4	<b>Basic Financial Statements</b>	
	District-wide Financial Statements	
	Statement of Net Position	4 - 1
	Statement of Activities	4 - 3
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 - 4
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 - 6
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 7
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 9
	Fiduciary Funds - Statement of Fiduciary Net Position	4 - 10
	Notes to the Financial Statements	4 - 11
5	<b>Required Supplementary Information</b>	
	Budgetary Comparison Schedule – General Fund	5 - 1
	Budgetary Comparison Schedule – Special Education Fund	5 - 3
	Schedule of the School District's Proportionate Share of the Net Pension Liability	5 - 4
	Schedule of the School District's Pension Contributions	5 - 5
	Schedule of the School District's Proportionate Share of the Net OPEB Liability	5 - 6
	Schedule of the School District's OPEB Contributions	5 - 7
6	<b>Other Supplementary Information</b>	
	Nonmajor Governmental Funds – Combining Balance Sheet	6 - 1
	Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6 - 2
	Schedule of Outstanding Bonded Indebtedness	6 - 3

**Ionia County Intermediate School District  
Members of the Board of Education and Administration  
June 30, 2018**

---

Members of the Board of Education

S. Tutt Gorman – President

Linda Hoxie-Green – Secretary

Brian Talbot – Treasurer

Robert Insley – Trustee

Mike O'Mara – Trustee

Administration

Jason Mellema – Superintendent

Jamie Carnes – Director of Fiscal Services



800.968.0010 | yeoandyeo.com

## Independent Auditors' Report

Management and the Board of Education  
Ionia County Intermediate School District  
Ionia, 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 Ionia County Intermediate School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School 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.

### *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 Ionia County Intermediate School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Adoption of New Accounting Standards**

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

### **Other Matters:**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions, as identified 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 Ionia County Intermediate School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, 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. 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 other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018 on our consideration of the Lonia County Intermediate School 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lonia County Intermediate School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan  
October 22, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## **Ionia County Intermediate School District Management's Discussion and Analysis For the Year Ended June 30, 2018**

---

The management's discussion and analysis section of Ionia County Intermediate School District's (District) annual financial report provides the district's evaluation of its own financial performance during the year ended June 30, 2018. Management's discussion and analysis should be read in conjunction with the district's financial statements immediately following this section.

### **Using this Annual Report**

The District's annual report consists of a series of financial statements and notes related to those statements. Financial statements are organized so the reader can understand the District's financial operations as a whole. *District-wide Financial Statements* provide information about the activities of the entire District, presenting both an aggregate view of the District's finances and a long-term view of those finances. Governmental activities statements explain how services were financed in the short-term, and explain how remaining funds can be used for future operations. *Fund Financial Statements* examine the District's operations in more detail than the district-wide financial statements.

The District's annual financial report includes the following financial statements and related information:

- Management's Discussion and Analysis (MD&A) (required supplementary information)
- Basic Financial Statements
  - District-wide Financial Statements
  - Fund Financial Statements
  - Notes to the Basic Financial Statements
- Required Supplementary Information
  - Budgetary Comparison Schedules
  - Schedule of the School District's Proportionate Share of the Net Pension Liability
  - Schedule of the School District's Pension Contributions
  - Schedule of the School District's Proportionate Share of the Net OPEB Liability
  - Schedule of the School District's OPEB Contributions
- Other Supplementary Information

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

The statement of net position, and the statement of activities, which appear first in the financial statements, report information on the financial condition of the District as a result of this year's activities. These statements record all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are recognized regardless of when cash is received or paid.

The statement of net position and the statement of activities report the governmental activities for the District, which encompass all the District's services, including instruction, supporting services, and community services. Property taxes, State Aid, and state and federal grants finance most of these activities.

**Ionia County Intermediate School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2018**

---

The statement of net position and the statement of activities report the District's net position as the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is a measurement of the District's financial health. Over time, increases or decreases in the District's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The District's primary goal is to provide services to students, local districts and constituents. As a result, one must consider many non-financial factors, such as the quality of services provided and the safety of the schools, to assess the overall health of the District.

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

The District's fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain taxes, grants and other money. The governmental funds of the District use the following accounting approach:

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

**Reporting the District's Fiduciary Responsibilities - The District as Trustee**

The District is the trustee, or fiduciary, for funds of various groups. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's other financial statements because these assets cannot be used to finance District operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Ionia County Intermediate School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

---

**The School District as a Whole**

The statement of net position, in Table 1, provides an overall perspective for the District's financial position as of June 30, 2017 and 2018:

<b>Table 1</b>	<b>2017</b>	<b>2018</b>
<b>Assets</b>		
Current and other assets	\$7,683,736	\$9,650,568
Capital assets, net of depreciation	3,334,563	3,179,630
Total assets	11,018,299	12,830,198
<b>Deferred Outflows of Resources</b>		
	5,625,922	9,236,548
Total assets and deferred outflows of resources	16,644,221	22,066,746
<b>Liabilities</b>		
Current liabilities	2,942,224	3,065,792
Non-current liabilities	38,753,382	52,101,579
Total liabilities	41,695,606	55,167,371
<b>Deferred Inflows of Resources</b>		
	1,655,373	5,047,142
Total liabilities and deferred outflows of resources	43,350,979	60,214,513
<b>Net Position</b>		
Net investment in capital assets	2,836,430	2,828,530
Restricted	771	0
Unrestricted (deficit)	(29,543,959)	(40,976,297)
Total net position	(\$26,706,758)	(\$38,147,767)

Current and other assets of the District increased \$1,966,832 which is the result of a conscientious effort by the district to set aside funds in its capital improvement funds for future renovations and additions. Current liabilities increased slightly by \$123,568. The net position of the District on June 30, 2017 and 2018 was (\$26,706,758) and (\$38,147,767), respectively. \$2,828,530 of the District's net position is reflected as net investment in capital assets. The District uses capital assets to provide services and these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources,

**Ionia County Intermediate School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

---

since the capital assets themselves cannot be used to liquidate these liabilities. Most of the debt will be repaid from money available from general operations. The unrestricted deficit (\$40,976,297) is directly attributable to the net pension liability of record for the current year, plus the additional reporting requirements for 2018 that districts report the liability related to other post-employment benefits.

The results of this year's operations as a whole are reported in the statement of activities, which reflects the changes in net position for fiscal years 2017 and 2018. Table 2 below summarizes the statement of activities:

<b>Table 2</b>	<u>2017</u>	<u>2018</u>
<b>Revenues</b>		
Program revenue:		
Charges for services	\$958	\$807
Operating grants and contributions	16,039,745	16,842,219
General revenue:		
Property taxes	8,986,860	9,942,786
State aid – unrestricted	462,498	462,498
Other	<u>20,682</u>	<u>30,702</u>
Total revenues	<u>25,510,743</u>	<u>27,279,012</u>
<b>Function/Program Expenses</b>		
Instruction	9,889,716	9,877,809
Supporting services	14,102,808	14,508,366
Food service	695	1,551
Community services	292,063	393,883
Interdistrict payments	1,148,753	1,267,932
Interest on long-term debt	<u>16,037</u>	<u>12,129</u>
Total function/program expenses	<u>25,450,072</u>	<u>26,061,670</u>
<b>Change in net position</b>	<u>\$60,671</u>	<u>\$1,217,342</u>

## **Ionia County Intermediate School District Management's Discussion and Analysis For the Year Ended June 30, 2018**

---

As reported in the statement of activities, the cost of all governmental activities this year totaled \$26,061,670, an increase of \$611,598 from last year. The District's revenue increased \$1,768,269 from last year. Overall, the District experienced an increase in net position of \$1,217,342 in the current year.

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

The District's funds are used to control and manage money for particular purposes. Reviewing funds maintained by the District helps determine whether the District is being accountable for the resources it receives and can provide more insight into the District's overall financial health.

As the District completed the 2017-2018 year, governmental funds reported a combined fund balance of \$6,473,099, which is an increase of \$1,729,532 from the prior year. The General Fund and Vocational Education Fund experienced increases in fund balance while the Special Education Fund reflected a decrease in its fund balance during 2017-2018. The increases in the General Fund and the Vocational Education Fund were due to the close monitoring of expenses to ensure the district was spending funds on needs versus wants of the organization. The General Fund increased by \$72,535 while the Vocational Education Fund increased by \$68,632. The Special Education Fund experienced a decrease in its fund balance of \$85,864 which is attributable to the district's effort to set aside funds in its capital improvement fund for future facility needs. It is anticipated that the district will continue to set aside funds in the future to help offset future needs. The Special Education Capital Project Fund increased by \$1,600,000 to a total of \$2,222,945 at year end.

### **Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the District's Board of Education adopt an original budget for the upcoming fiscal year by July 1<sup>st</sup>. As a matter of practice, the district amends its budget during the fiscal year. These revisions are made in order to recognize changes in revenues and expenditures. The following analysis describes the significant changes in the budget during the year.

The following changes occurred in the District's financial operations when comparing actual financial performance to the final budget projections for 2017-2018. Actual revenues were lower than final budget projections in the General Fund (\$34,171 or 0.96%). General Fund revenues varied mainly due to grant funds that were awarded but not expended during 2017-2018. Special Education Fund revenues were slightly higher than projected (\$16,428 or 0.007%).

Actual expenditures were lower than final budget projections in the General Fund and Special Education Fund for the 2017-2018 year. General Fund expenditures were lower by (\$86,687 or 2.21%) due to the district allocating grant expenditures but not spending the full allocation. The Special Education Fund expenditures were lower by (\$84,155 or 0.43%).

### **Capital Asset and Debt Administration**

#### ***Capital Assets***

At June 30, 2017 and 2018, the District had \$3,334,563 and \$3,179,630, respectively, (net of depreciation), invested in a broad range of capital assets, including land, buildings and improvements, equipment and buses and other vehicles. Further detail is included the notes to the financial statements.

**Ionia County Intermediate School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

---

***Debt***

At June 30, 2017 and 2018, the District had \$849,847 and \$665,888, respectively, in long-term debt. The debt consisted of the following:

	<u>2017</u>	<u>2018</u>
Government obligation bonds	\$310,000	\$210,000
Capital lease	188,133	141,100
Compensated absences	351,714	314,788
Total	<u>\$849,847</u>	<u>\$665,888</u>

**Economic Factors and Next Year's Budget**

The District relies on three main sources of revenue: property taxes, state funding and federal grants. Each of these sources is experiencing growth that should be able to help provide financial stability over the next few years. With rightsizing of staff and working towards decreasing expenses in other areas, funds available to the District are expected to remain steady or increase during the 2018-2019 fiscal year. It is important to note that district will continue to make a conscientious effort to fund our capital improvement funds for necessary renovations and additions.

Property taxes have historically remained a relatively stable source of revenues, annually increasing near the rate of inflation. The District has fortunately been able to avoid the large property tax valuation declines that many other areas of the state and nation have experienced. It is anticipated that tax revenues for 2018-2019 will increase 3% or more which will help to balance budgets. The district will continue to monitor trends in the economy that could impact property tax revenues and will plan accordingly.

The District, along with other Michigan school districts, may be faced with budget challenges in the next several years as discussions of how to adequately fund schools continues. Legislative changes that significantly change the State tax structure continue to be reviewed and considered. How these changes impact Michigan school districts remains to be seen. Districts must continue to provide quality educational services to their students while effectively managing their resources within the ever changing financial landscape in Michigan's education system.

**Request for Information**

This financial report is designed to provide our stakeholders with a general overview of the district's finances and to show the district's accountability for the funding it receives. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to: Ionia County Intermediate School District, Business Office, 2191 Harwood Road, Ionia, MI 48846.

## BASIC FINANCIAL STATEMENTS

---

**Ionia County Intermediate School District**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 6,799,778
Accounts receivable	6,597
Due from other governmental units	2,753,096
Prepaid items	91,097
Capital assets not being depreciated	89,336
Capital assets - net of accumulated depreciation	3,090,294
Total assets	12,830,198
<b>Deferred Outflows of Resources</b>	
Deferred amount relating to net pension liability	8,414,034
Deferred amount relating to net OPEB liability	822,514
Total deferred outflows of resources	9,236,548
Total assets and deferred outflows of resources	22,066,746
<b>Liabilities</b>	
Accounts payable	252,834
Due to other governmental units	1,214,977
Payroll deductions and withholdings	2,198
Accrued expenditures	1,392
Accrued salaries payable	1,055,725
Unearned revenue	538,666
Noncurrent liabilities	
Debt due within one year	191,298
Debt due in more than one year	474,590
Net pension liability	38,295,085
Net OPEB liability	13,140,606
Total liabilities	55,167,371

See Accompanying Notes to the Financial Statements

**Ionia County Intermediate School District**  
**Statement of Net Position**  
**June 30, 2018**

---

	<u>Governmental Activities</u>
<b>Deferred Inflows of Resources</b>	
Deferred amount relating to net pension liability	\$ 4,602,894
Deferred amount relating to net OPEB liability	<u>444,248</u>
Total deferred inflows of resources	<u>5,047,142</u>
Total liabilities and deferred inflows of resources	<u>60,214,513</u>
<b>Net Position</b>	
Net investment in capital assets	2,828,530
Unrestricted (deficit)	<u>(40,976,297)</u>
Total net position	<u><u>\$ (38,147,767)</u></u>

See Accompanying Notes to the Financial Statements

**Ionia County Intermediate School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 9,877,809	\$ -	\$ 7,554,214	\$ -	\$ (2,323,595)
Supporting services	14,508,366	-	9,287,238	-	(5,221,128)
Food services	1,551	-	767	-	(784)
Community services	393,883	807	-	-	(393,076)
Interdistrict payments	1,267,932	-	-	-	(1,267,932)
Interest on long-term debt	12,129	-	-	-	(12,129)
Total governmental activities	<u>\$ 26,061,670</u>	<u>\$ 807</u>	<u>\$ 16,842,219</u>	<u>\$ -</u>	<u>(9,218,644)</u>
General revenues					
Property taxes					9,942,786
State aid - unrestricted					462,498
Interest and investment earnings					28,743
Gain on sale of capital assets					<u>1,959</u>
Total general revenues					<u>10,435,986</u>
Change in net position					1,217,342
Net position - beginning, as restated					<u>(39,365,109)</u>
Net position - ending					<u>\$ (38,147,767)</u>

See Accompanying Notes to the Financial Statements

**Ionia County Intermediate School District**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	General Fund	Special Education Fund	Capital Project Fund Special Education	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 527,803	\$ 3,404,296	\$ 2,222,945	\$ 644,734	\$ 6,799,778
Accounts receivable	621	5,976	-	-	6,597
Due from other funds	33,885	-	-	411	34,296
Due from other governmental units	599,489	1,978,712	-	174,895	2,753,096
Prepaid items	16,037	71,570	-	3,490	91,097
<b>Total assets</b>	<b>\$ 1,177,835</b>	<b>\$ 5,460,554</b>	<b>\$ 2,222,945</b>	<b>\$ 823,530</b>	<b>\$ 9,684,864</b>
<b>Liabilities</b>					
Accounts payable	\$ 25,779	\$ 146,602	\$ -	\$ 80,453	\$ 252,834
Due to other funds	-	33,830	-	466	34,296
Due to other governmental units	102,955	1,061,416	-	50,606	1,214,977
Payroll deductions and withholdings	17	2,171	-	10	2,198
Accrued salaries payable	89,604	864,862	-	101,259	1,055,725
Unearned revenue	519,593	-	-	19,073	538,666
<b>Total liabilities</b>	<b>737,948</b>	<b>2,108,881</b>	<b>-</b>	<b>251,867</b>	<b>3,098,696</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue					
Property taxes	-	113,069	-	-	113,069

See Accompanying Notes to the Financial Statements

**Ionia County Intermediate School District**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	General Fund	Special Education Fund	Capital Project Fund <u>Special Education</u>	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balance</b>					
Non-spendable					
Prepaid items	\$ 16,037	\$ 71,570	\$ -	\$ 3,490	\$ 91,097
Restricted for					
Debt service	-	-	-	99	99
Special education	-	3,167,034	-	-	3,167,034
Vocational education	-	-	-	342,975	342,975
Assigned					
Capital projects	-	-	2,222,945	225,099	2,448,044
Future year budgeted expenditures	62,319	-	-	-	62,319
Unassigned	361,531	-	-	-	361,531
Total fund balance	<u>439,887</u>	<u>3,238,604</u>	<u>2,222,945</u>	<u>571,663</u>	<u>6,473,099</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,177,835</u>	<u>\$ 5,460,554</u>	<u>\$ 2,222,945</u>	<u>\$ 823,530</u>	<u>\$ 9,684,864</u>

See Accompanying Notes to the Financial Statements

**Ionia County Intermediate School District**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2018**

---

<b>Total fund balances for governmental funds</b>	<b>\$ 6,473,099</b>
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Property taxes	113,069
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	89,336
Capital assets - net of accumulated depreciation	3,090,294
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from net pension liability	8,414,034
Deferred outflows of resources resulting from net OPEB liability	822,514
Deferred inflows of resources resulting from net pension liability	(4,602,894)
Deferred inflows of resources resulting from net OPEB liability	(444,248)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(1,392)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(314,788)
Bonds payable	(210,000)
Other loans payable and liabilities	(141,100)
Net pension liability	(38,295,085)
Net OPEB liability	(13,140,606)
<b>Net position of governmental activities</b>	<b><u>\$ (38,147,767)</u></b>

**Ionia County Intermediate School District**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	General Fund	Special Education Fund	Capital Project Fund Special Education	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 534,949	\$ 9,312,990	\$ -	\$ 1,342,998	\$ 11,190,937
Non-educational sources	47,752	143,320	-	-	191,072
State sources	2,298,384	6,649,711	-	843,415	9,791,510
Federal sources	41,533	2,962,667	-	77,439	3,081,639
Interdistrict sources	567,566	2,295,023	-	46,237	2,908,826
<b>Total revenues</b>	<b>3,490,184</b>	<b>21,363,711</b>	<b>-</b>	<b>2,310,089</b>	<b>27,163,984</b>
<b>Expenditures</b>					
Instruction	870,305	7,345,213	-	1,315,361	9,530,879
Supporting services	2,398,640	10,874,221	-	733,865	14,006,726
Food services	-	-	-	1,538	1,538
Community services	349,619	41,050	-	-	390,669
Intergovernmental payments	199,446	1,040,154	-	28,332	1,267,932
Capital outlay	2,830	8,490	-	67,522	78,842
Debt service					
Principal	14,543	26,921	-	105,569	147,033
Interest and other expenditures	-	-	-	12,792	12,792
<b>Total expenditures</b>	<b>3,835,383</b>	<b>19,336,049</b>	<b>-</b>	<b>2,264,979</b>	<b>25,436,411</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(345,199)</b>	<b>2,027,662</b>	<b>-</b>	<b>45,110</b>	<b>1,727,573</b>

See Accompanying Notes to the Financial Statements

**Ionia County Intermediate School District**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	General Fund	Special Education Fund	Capital Project Fund Special Education	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ 1,959	\$ 1,959
Transfers in	519,130	-	1,600,000	187,792	2,306,922
Transfers out	(101,396)	(2,113,526)	-	(92,000)	(2,306,922)
 Total other financing sources (uses)	 417,734	 (2,113,526)	 1,600,000	 97,751	 1,959
 Net change in fund balance	 72,535	 (85,864)	 1,600,000	 142,861	 1,729,532
 Fund balance - beginning	 367,352	 3,324,468	 622,945	 428,802	 4,743,567
 Fund balance - ending	 <u>\$ 439,887</u>	 <u>\$ 3,238,604</u>	 <u>\$ 2,222,945</u>	 <u>\$ 571,663</u>	 <u>\$ 6,473,099</u>

See Accompanying Notes to the Financial Statements

**Ionia County Intermediate School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2018**

<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 1,729,532</b>
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	113,069
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.	
Depreciation expense	(233,775)
Capital outlay	78,842
Expenses are recorded when incurred in the statement of activities.	
Interest	663
Compensated absences	36,926
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(391,550)
Net change in the deferred inflow of resources related to the net pension liability	(159,409)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	131,681
Net change in the deferred inflow of resources related to the net OPEB liability	(235,670)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	147,033
<b>Change in net position of governmental activities</b>	<b>\$ 1,217,342</b>

See Accompanying Notes to the Financial Statements

**Ionia County Intermediate School District**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2018**

---

	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ 57,354
Due from agency fund activities	<u>14,200</u>
Total assets	<u><u>\$ 71,554</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 1,193
Due to agency fund activities	<u>70,361</u>
Total liabilities	<u><u>\$ 71,554</u></u>

See Accompanying Notes to the Financial Statements

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

---

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Ionia County Intermediate School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**Reporting Entity**

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The Ionia County Intermediate School District Board of Education (Board) is the primary government which has oversight and coordination responsibility related to public school education in Ionia County. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in GASB pronouncements since the Board members are elected by the member districts, the governing body has separate legal standing and is fiscally independent of other governmental entities. As such, the Board has decision-making authority, the authority to levy taxes and determine its budget, the power to designate management, the ability to significantly influence operations and financial accountability. The Board does not include any component unit within its general purpose financial statements.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

---

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District 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.

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Special Education Fund – The Special Education Fund consists of those activities involved in operating the programs necessary to provide for the education of students identified as needing special education services. The Fund's revenue sources include property taxes, federal and state sources, and inter-governmental reimbursements.

Capital Project Fund – Special Education – The Special Education Fund transfers funds to this capital project funds. The amounts accumulated in this fund are used to make improvements to existing facilities and purchase new equipment.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund and the Vocational Education Fund.

Debt Service Fund – The debt service fund is used to record the payment of interest, principal, and other expenditures on long-term debt. Revenue consists of transfers made from other funds.

Capital Project Funds – The General Fund and Vocational Education Fund transfer funds to the capital project funds. The amounts accumulated in these funds are used to make improvements to existing facilities and purchase new equipment.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

**Assets, Liabilities and Net Position or Equity**

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

---

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2018, the rates are as follows per \$1,000 of assessed value.

General Fund	0.1315
Special Education Fund	4.7421
Vocational Education Fund	0.9987

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Investments – Investments are state at fair value. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000 and an estimated useful life in excess of five years. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	10-50 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-15 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

---

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

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

---

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the Superintendent and finance director the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The School District has adopted a minimum fund balance policy. The fund balance policy proscribes the minimum unrestricted fund balance equal to two months of General Fund operating expenditures.

**Use of Estimates**

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

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Adoption of New Accounting Standards**

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. Statement No. 86 is effective for the fiscal year ending June 30, 2018.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

---

**Upcoming Accounting and Reporting Changes**

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Fund, Special Education Fund, and Vocational Education Fund. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

**Excess of Expenditures over Appropriations**

The School District did not have significant expenditure budget variances.

**Note 3 - Deposits**

The School District's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 6,799,778	\$ 57,354	\$ 6,857,132

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 6,779,719
Investments in securities, mutual funds, and similar vehicles	77,138
Petty cash and cash on hand	275
Total	\$ 6,857,132

As of year end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
MILAF + MAX Class	\$ 76,830	< 60 days	AAAm	Standard and Poors
MILAF + Cash Mgmt Class	308	< 60 days	AAAm	Standard and Poors
	\$ 77,138			

Interest rate risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The School District's policy minimizes interest rate risk by requiring implementation of the following methods as defined by the Government Accountability Standards Board: segmented timed distribution, specific identification, weighted average maturity, duration and simulation model. Furthermore, the School District's policy restricts investing in only those investments that conform with state and federal law.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

Credit risk – State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$6,853,330 of the School District’s bank balance of \$7,103,330 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law. As of year-end, none of the School District’s investments were exposed to custodial credit risk.

**Note 4 - Fair Value Measurements**

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

The School District has the following recurring fair value measurements as of June 30, 2018:

Amounts invested in MILAF + Portfolio of \$77,138. The MILAF + Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market (Level 2 inputs).

**Note 5 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 89,336	\$ -	\$ -	\$ 89,336
Capital assets being depreciated				
Buildings and additions	4,473,066	-	-	4,473,066
Equipment and furniture	1,071,514	48,902	-	1,120,416
Buses and other vehicles	342,662	29,940	-	372,602
Total capital assets being depreciated	5,887,242	78,842	-	5,966,084
Less accumulated depreciation for				
Buildings and additions	1,637,602	97,396	-	1,734,998
Equipment and furniture	821,674	103,799	-	925,473
Buses and other vehicles	182,739	32,580	-	215,319
Total accumulated depreciation	2,642,015	233,775	-	2,875,790
Net capital assets being depreciated	3,245,227	(154,933)	-	3,090,294
Net capital assets	<u>\$ 3,334,563</u>	<u>\$ (154,933)</u>	<u>\$ -</u>	<u>\$ 3,179,630</u>

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

Depreciation expense was charged to activities of the School District as follows:

<b>Governmental activities</b>	
Instruction	\$ 93,109
Supporting services	136,834
Food services	15
Community services	3,817
	<u>3,817</u>
 Total governmental activities	 <u>\$ 233,775</u>

**Note 6 - Interfund Receivable and Payable and Transfers**

Individual interfund receivable and payable balances at year end were:

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
Special Education Fund	General Fund	\$ 33,419
Nonmajor Governmental Funds	General Fund	466
Special Education Fund	Nonmajor Governmental Funds	411
		<u>\$ 34,296</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	<u>Transfers Out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Nonmajor Governmental Funds</u>	
<b>Transfers in</b>				
General Fund	\$ -	\$ 457,130	\$ 62,000	\$ 519,130
Capital project fund				
- special education	-	1,600,000	-	1,600,000
Nonmajor governmental funds	101,396	56,396	30,000	187,792
	<u>\$ 101,396</u>	<u>\$ 2,113,526</u>	<u>\$ 92,000</u>	<u>\$ 2,306,922</u>

Interfund transfers primarily represent indirect cost reimbursements, funds transferred to cover debt service payments, and funds transferred for capital projects.

**Note 7 - Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 538,666</u>
---	-------------------

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8 - Leases**

**Capital Lease**

The School District has a capital lease for general ledger software and a phone system. There is no interest and imputed interest would not be material. The future minimum lease payments are as follows:

<b>Year ending June 30,</b>	
2019	\$ 47,033
2020	47,033
2021	47,034
Present value of minimum lease payments	<u>\$ 141,100</u>

The assets acquire through capital leases are as follows:

<b>Assets</b>	
Equipment and furniture	\$ 90,045
Less accumulated depreciation	(36,018)
Total	<u>\$ 54,027</u>

**Note 9 - Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include capital leases and compensated absences. Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 310,000	\$ -	\$ 100,000	\$ 210,000	\$ 105,000
Capital lease	188,133	-	47,033	141,100	47,033
Compensated absences	351,714	2,339	39,265	314,788	39,265
Total	<u>\$ 849,847</u>	<u>\$ 2,339</u>	<u>\$ 186,298</u>	<u>\$ 665,888</u>	<u>\$ 191,298</u>

For governmental activities, compensated absences and the capital lease are primarily liquidated by the general, special education and vocational education funds.

General obligation bonds payable at year end, consist of the following:

\$975,000 serial bond due in annual installments of \$105,000 through May 1, 2020, interest at 4%	<u>\$ 210,000</u>
---	-------------------

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2019	\$ 105,000	\$ 8,400	\$ 113,400
2020	105,000	4,200	109,200
Total	<u>\$ 210,000</u>	<u>\$ 12,600</u>	<u>\$ 222,600</u>

The general obligation bonds are payable from the Debt Service Fund. As of year end, this fund had a balance of \$99 to pay this debt.

Interest expenditures for the fiscal year were \$12,792.

**Compensated Absences**

Vacation days are accumulated at variable rates for administrative employees and other full time employees. The School District's policy allows employees to accumulate vacation days earned and carry the accumulation for an indefinite period of time into the future. Amounts accumulated are to be paid to the employee and recognized as an expense when vacation days are actually taken. The vacation pay liability at year end is \$34,601. The vacation pay liability is reflected in the District-wide financial statements.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

---

Sick time is paid off at a daily rate upon termination if years of service requirements are met. The liability has been calculated and included in the government-wide financial statements using the vesting method. Leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The sick leave pay liability at year end is \$280,187.

**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$9,605 of unemployment compensation expense for the year. No provision has been made for possible future claims.

**Note 11 - Pension Plans**

**Plan Description**

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

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

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

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

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Benefits Provided**

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

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

**Contributions**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0	19.03%
Pension Plus	3.0 - 6.4	18.40%
Defined Contribution	0.0	15.27%

Required contributions to the pension plan from the School District were \$3,466,135 for the year ending September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$38,295,085 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.1478 percent, which was a decrease of 0.0041 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was \$3,917,872.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount to Amortize
Difference between expected and actual experience	\$ 332,810	\$ (187,906)	\$ 144,904
Changes in assumptions	4,195,531	-	4,195,531
Net difference between projected and actual earnings on pension plan investments	-	(1,830,757)	(1,830,757)
Changes in proportion and differences between employer contributions and proportionate share of contributions	508,829	(1,070,726)	(561,897)
Employer contributions subsequent to the measurement date	3,376,864	(1,513,505)	-
	<u>\$ 8,414,034</u>	<u>\$ (4,602,894)</u>	<u>\$ 1,947,781</u>

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
Plan Year Ending September 30	Amount
2018	\$ 646,149
2019	1,206,367
2020	290,321
2021	(195,056)
	<u>\$ 1,947,781</u>

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:
  - MIP and Basic Plans (Non-Hybrid): 7.5%
  - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.6%
Alternative Investment Pools	18.00%	8.7%
International Equity	16.00%	7.2%
Fixed Income Pools	10.50%	-0.1%
Real Estate and Infrastructure Pools	10.00%	4.2%
Absolute Return Pools	15.50%	5.0%
Short Term Investment Pools	2.00%	-0.9%
	100.00%	

*\*Long-term rates of return are net of administrative expenses and 2.3% inflation.*

**Rate of Return**

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

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

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
\$ 49,885,759	\$ 38,295,085	\$ 28,536,476

*\*The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

**Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the Michigan Public School Employees' Retirement System (MPSERS)**

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

**Note 12 - Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description**

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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

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

date, and their prior contributions were deposited into their 401(k) account.

**Contributions**

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

Required contributions to the OPEB plan from the School District were \$1,155,276 for the year ended September 30, 2017.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

At June 30, 2018, the School District reported a liability of \$13,140,606 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.1484 percent, which was no change from its proportion measured as of September 30, 2016. At September 30, 2017, the total OPEB expense for the School District was \$879,778.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount to Amortize
Difference between expected and actual experience	\$ -	\$ (139,909)	\$ (139,909)
Net difference between projected and actual earnings on OPEB plan investments	-	(304,339)	(304,339)
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,737	-	3,737
Employer contributions subsequent to the measurement date	818,777	-	-
	<u>\$ 822,514</u>	<u>\$ (444,248)</u>	<u>\$ (440,511)</u>

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
Plan Year Ending September 30	Amount
2018	\$ (106,519)
2019	(106,519)
2020	(106,519)
2021	(106,519)
2022	(14,435)
	<u>\$ (440,511)</u>

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return: 7.5%

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

*Other Assumptions:*

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.6%
Alternative Investment Pools	18.00%	8.7%
International Equity	16.00%	7.2%
Fixed Income Pools	10.50%	-0.1%
Real Estate and Infrastructure Pools	10.00%	4.2%
Absolute Return Pools	15.50%	5.0%
Short Term Investment Pools	2.00%	-0.9%
	100.00%	

*\*Long-term rates of return are net of administrative expenses and 2.3% inflation.*

**Rate of Return**

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Discount Rate**

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

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

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

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
\$ 15,391,448	\$ 13,140,606	\$ 11,230,346

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

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

1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
\$ 11,128,327	\$ 13,140,606	\$ 15,425,409

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

**Note 13 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year ended June 30, 2018.

**Ionia County Intermediate School District**  
**Notes to the Financial Statements**  
**June 30, 2018**

---

**Note 14 - Tax Abatements**

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the Cities of Ionia and Portland. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2018, the School District's property tax revenues were reduced by \$19,263 under these programs.

There are no significant abatements made by the School District.

**Note 15 - Adoption of New Accounting Standards**

As indicated in Note 1, the School District has adopted Governmental Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by \$12,658,351, restating it from (\$26,706,758) to (\$39,365,109).

## REQUIRED SUPPLEMENTARY INFORMATION

---

**Ionia County Intermediate School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 385,579	\$ 546,465	\$ 534,949	\$ (11,516)
Non-educational sources	48,657	54,924	47,752	(7,172)
State sources	2,309,082	2,327,336	2,298,384	(28,952)
Federal sources	71,688	41,533	41,533	-
Interdistrict sources	439,100	554,097	567,566	13,469
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	3,254,106	3,524,355	3,490,184	(34,171)
<b>Expenditures</b>				
Instruction				
Basic programs	860,231	831,312	820,669	(10,643)
Added needs	64,516	49,637	49,636	(1)
Supporting services				
Pupil	106,318	114,762	112,522	(2,240)
Instructional staff	684,060	671,487	666,369	(5,118)
General administration	203,848	247,452	238,283	(9,169)
Business	742,154	785,948	775,894	(10,054)
Operations and maintenance	158,854	148,447	137,830	(10,617)
Pupil transportation services	42,694	43,298	43,298	-
Central	412,109	433,681	424,444	(9,237)
Community services	241,190	377,946	349,619	(28,327)
Intergovernmental payments	135,930	200,727	199,446	(1,281)
Capital outlay	1,500	2,830	2,830	-

**Ionia County Intermediate School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Debt service				
Principal	\$ 58,530	\$ 14,543	\$ 14,543	\$ -
Total expenditures	3,711,934	3,922,070	3,835,383	(86,687)
Deficiency of revenues over expenditures	(457,828)	(397,715)	(345,199)	52,516
<b>Other Financing Sources (Uses)</b>				
Transfers in	515,232	522,881	519,130	(3,751)
Transfers out	(56,200)	(101,396)	(101,396)	-
Total other financing sources (uses)	459,032	421,485	417,734	(3,751)
Net change in fund balance	1,204	23,770	72,535	48,765
Fund balance - beginning	367,352	367,352	367,352	-
Fund balance - ending	<u>\$ 368,556</u>	<u>\$ 391,122</u>	<u>\$ 439,887</u>	<u>\$ 48,765</u>

**Ionia County Intermediate School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - Special Education Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
<b>Revenues</b>				
Local sources	\$ 8,524,500	\$ 9,312,113	\$ 9,312,990	\$ 877
Non-educational sources	130,000	139,150	143,320	4,170
State sources	6,134,874	6,636,739	6,649,711	12,972
Federal sources	3,098,907	2,965,460	2,962,667	(2,793)
Interdistrict sources	2,633,222	2,293,821	2,295,023	1,202
Total revenues	<u>20,521,503</u>	<u>21,347,283</u>	<u>21,363,711</u>	<u>16,428</u>
<b>Expenditures</b>				
Instruction				
Added needs	7,928,242	7,372,567	7,345,213	(27,354)
Supporting services				
Pupil	8,649,981	8,204,602	8,195,276	(9,326)
Instructional staff	1,188,700	1,200,798	1,200,625	(173)
General administration	230,189	239,635	228,810	(10,825)
School administration	183,442	199,796	200,851	1,055
Business	80,215	65,595	58,098	(7,497)
Operations and maintenance	363,060	347,966	324,751	(23,215)
Pupil transportation services	38,700	27,960	28,352	392
Central	646,132	641,959	637,458	(4,501)
Community services	4,300	38,428	41,050	2,622
Intergovernmental payments	866,248	1,045,486	1,040,154	(5,332)
Capital outlay	51,000	8,490	8,490	-
Debt service				
Principal	10,311	26,922	26,921	(1)
Total expenditures	<u>20,240,520</u>	<u>19,420,204</u>	<u>19,336,049</u>	<u>(84,155)</u>
Excess of revenues over expenditures	280,983	1,927,079	2,027,662	100,583
<b>Other Financing Uses</b>				
Transfers out	(700,932)	(2,117,277)	(2,113,526)	(3,751)
Net change in fund balance	(419,949)	(190,198)	(85,864)	96,832
Fund balance - beginning	<u>3,324,468</u>	<u>3,324,468</u>	<u>3,324,468</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,904,519</u>	<u>\$ 3,134,270</u>	<u>\$ 3,238,604</u>	<u>\$ 96,832</u>

**Ionia County Intermediate School District**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Reporting unit's proportion of net pension liability (%)	0.1478%	0.1519%	0.1535%	0.1508%						
B. Reporting unit's proportionate share of net pension liability	\$ 38,295,085	\$ 37,903,535	\$ 37,504,292	\$ 33,223,028						
C. Reporting unit's covered-employee payroll	\$ 12,305,996	\$ 12,765,528	\$ 12,688,588	\$ 12,549,379						
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	311.19%	296.92%	295.57%	264.74%						
E. Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%						

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

**Ionia County Intermediate School District**  
**Required Supplementary Information**  
**Schedule of the School District's Pension Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	\$ 3,718,090	\$ 2,329,075	\$ 2,309,399	\$ 3,043,810						
B. Contributions in relation to statutorily required contributions	<u>3,718,090</u>	<u>2,329,075</u>	<u>2,309,399</u>	<u>3,043,810</u>						
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
D. Reporting unit's covered- employee payroll	\$ 12,575,593	\$ 12,267,204	\$ 12,232,641	\$ 12,782,188						
E. Contributions as a percentage of covered-employee payroll	29.57%	18.99%	18.88%	23.81%						

**Ionia County Intermediate School District**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net OPEB Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Reporting unit's proportion of net OPEB liability (%)	0.1484%									
B. Reporting unit's proportionate share of net OPEB liability	\$ 13,140,606									
C. Reporting unit's covered-employee payroll	\$ 12,305,996									
D. Reporting unit's proportionate share of net OPEB liability as a percentage of its covered- employee payroll	106.78%									
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39%									

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

**Ionia County Intermediate School District**  
**Required Supplementary Information**  
**Schedule of the School District's OPEB Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	\$ 926,983									
B. Contributions in relation to statutorily required contributions	<u>926,983</u>									
C. Contribution deficiency (excess)	<u>\$ -</u>									
D. Reporting unit's covered- employee payroll	\$ 12,575,593									
E. Contributions as a percentage of covered-employee payroll	7.37%									

## OTHER SUPPLEMENTARY INFORMATION

---

**Ionia County Intermediate School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2018**

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>		Total Nonmajor Governmental Funds
	<u>Food Service</u>	<u>Vocational Education</u>	<u>Debt Service</u>	<u>General</u>	<u>Vocational Education</u>	
<b>Assets</b>						
Cash	\$ 842	\$ 418,693	\$ 100	\$ 75,099	\$ 150,000	\$ 644,734
Due from other funds	-	411	-	-	-	411
Due from other governmental units	-	174,895	-	-	-	174,895
Prepaid items	-	3,490	-	-	-	3,490
<b>Total assets</b>	<u>\$ 842</u>	<u>\$ 597,489</u>	<u>\$ 100</u>	<u>\$ 75,099</u>	<u>\$ 150,000</u>	<u>\$ 823,530</u>
<b>Liabilities</b>						
Accounts payable	\$ 842	\$ 79,610	\$ 1	\$ -	\$ -	\$ 80,453
Due to other funds	-	466	-	-	-	466
Due to other governmental units	-	50,606	-	-	-	50,606
Payroll deductions and withholdings	-	10	-	-	-	10
Accrued salaries payable	-	101,259	-	-	-	101,259
Unearned revenue	-	19,073	-	-	-	19,073
<b>Total liabilities</b>	<u>842</u>	<u>251,024</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>251,867</u>
<b>Fund Balance</b>						
Non-spendable						
Prepaid items	-	3,490	-	-	-	3,490
Restricted for						
Debt service	-	-	99	-	-	99
Vocational education	-	342,975	-	-	-	342,975
Assigned						
Capital projects	-	-	-	75,099	150,000	225,099
<b>Total fund balance</b>	<u>-</u>	<u>346,465</u>	<u>99</u>	<u>75,099</u>	<u>150,000</u>	<u>571,663</u>
<b>Total liabilities and fund balance</b>	<u>\$ 842</u>	<u>\$ 597,489</u>	<u>\$ 100</u>	<u>\$ 75,099</u>	<u>\$ 150,000</u>	<u>\$ 823,530</u>

**Ionia County Intermediate School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service	Vocational Education	Debt Service	General	Vocational Education	
<b>Revenues</b>						
Local sources	\$ -	\$ 1,342,998	\$ -	\$ -	\$ -	\$ 1,342,998
State sources	-	843,415	-	-	-	843,415
Federal sources	767	76,672	-	-	-	77,439
Interdistrict sources	-	46,237	-	-	-	46,237
Total revenues	767	2,309,322	-	-	-	2,310,089
<b>Expenditures</b>						
Instruction	-	1,315,361	-	-	-	1,315,361
Supporting services	-	733,865	-	-	-	733,865
Food services	1,538	-	-	-	-	1,538
Intergovernmental payments	-	28,332	-	-	-	28,332
Capital outlay	-	67,522	-	-	-	67,522
Debt service						
Principal	-	5,569	100,000	-	-	105,569
Interest and other expenditures	-	-	12,792	-	-	12,792
Total expenditures	1,538	2,150,649	112,792	-	-	2,264,979
Excess (deficiency) of revenues over expenditures	(771)	158,673	(112,792)	-	-	45,110
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	-	1,959	-	-	-	1,959
Transfers in	-	-	112,792	45,000	30,000	187,792
Transfers out	-	(92,000)	-	-	-	(92,000)
Total other financing sources (uses)	-	(90,041)	112,792	45,000	30,000	97,751
Net change in fund balance	(771)	68,632	-	45,000	30,000	142,861
Fund balance - beginning	771	277,833	99	30,099	120,000	428,802
Fund balance - ending	\$ -	\$ 346,465	\$ 99	\$ 75,099	\$ 150,000	\$ 571,663

**Ionia County Intermediate School District**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2018**

---

Year Ending June 30,	2010 Energy Conservation Bond Fund
2019	\$ 105,000
2020	105,000
Total	\$ 210,000
Principal payments due the first day of	May 1
Interest payments due the first day of	May 1 and November 1
Interest rate	4.00%
Original issue	\$ 975,000