WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT CADILLAC, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)

JUNE 30, 2018

Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

oo0oo

Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

August 13, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Wexford-Missaukee Intermediate School District
Cadillac, 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 Wexford-Missaukee Intermediate School District, Cadillac, Michigan as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 auditor's 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 Wexford-Missaukee Intermediate School District, Cadillac, Michigan 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 3.R to the financial statements, Evart Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv through xi and 37-42 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 Wexford-Missaukee Intermediate School District's basic financial statements. The Combining Fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2018, on our consideration of Wexford-Missaukee 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 Wexford-Missaukee Intermediate 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 Wexford-Missaukee Intermediate School District's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

This section of Wexford-Missaukee Intermediate School District's (the "District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

Financial Highlights Section

Government-Wide

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $16,752,968 creating a deficit net position amount. Of this amount, net investment in capital assets was a positive $7,670,778 and the amount restricted for capital projects was a positive $1,494,537.

- The government's total net deficit increased by $959,133.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $9,868,200, a decrease of $500,982 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $1,616,223.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District's assets and liabilities. All of the year's revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

Over time, increases and decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District’s activities are all shown in one category titled “Governmental Activities”. These activities, including regular and special education, vocational education, transportation, administration, and community services, are primarily financed with state and federal aids and property taxes.

Fund Financial Statements

The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called “non-major” funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds - The District’s basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds **-** The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

The District maintains one type of fiduciary fund. The Agency fund reports resources held by the District in a custodial capacity for individuals, private organizations and other governments.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements. The notes to Financial Statements can be found on pages 9-36 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30. The prior year has not been restated to include the new GASB No. 75 Standards-*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions:*

	2018	2017
Assets		
Current Assets	$ 12,684,199	$ 12,983,515
Non Current Assets		
Capital Assets	18,329,666	17,986,966
Less Accumulated Depreciation	(10,658,888)	(10,270,318)
Total Non Current Assets	7,670,778	7,716,648
Total Assets	20,354,977	20,700,163
Deferred Outflows of Resources	7,606,541	4,391,132
Liabilities		
Current Liabilities	2,815,999	2,614,333
Non Current Liabilities	38,893,524	27,519,052
Total Liabilities	41,709,523	30,133,385
Deferred Inflows of Resources	3,004,963	923,734
Net Position		
Net Investment in Capital Assets	7,670,778	7,716,648
Restricted for Specific Purposes	1,494,537	1,729,272
Unrestricted (Deficit)	(25,918,283)	(15,411,744)
Total Net Position	$ (16,752,968)	$ (5,965,824)

Analysis of Financial Position

During the fiscal year ended June 30, 2018, the District's net position decreased by $959,133. A few of the more significant factors affecting net position during the year are discussed below:

1. *Depreciation Expense*

GASB 34 requires districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2018, $395,070 was recorded for depreciation expense.

2. *Capital Outlay Acquisitions*

For the fiscal year ended June 30, 2018, $349,200 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, the current year's depreciation and current year disposal of capital assets is a decrease to capital assets in the amount of $45,870 for the fiscal year ended June 30, 2018.

3. *Pension and Other Postemployment Benefits Expense*

GASB 68 and GASB 75 require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension and other postemployment benefit liabilities increase or decrease in any given year. For the year ended June 30, 2018, the District reported a decrease in net position of $410,484 related to GASB 68 and 75, which indicates that the District's proportionate share of the net pension and other postemployment benefits liability has increased by that amount.

Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30. The prior year has not been restated to include the new GASB No. 75 Standards-*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions:*

	2018	2017
General Revenues		
Property Taxes	$ 11,683,511	$ 11,436,329
Investment Earnings	43,357	29,747
State Sources	606,818	611,003
Other	123,025	25,622
Total General Revenues	12,456,711	12,102,701
Program Revenues		
Charges for Services	3,092,922	3,807,372
Operating Grants	11,169,911	15,108,220
Total Program Revenues	14,262,833	18,915,592
Total Revenues	26,719,544	31,018,293
Expenses		
Instruction	6,961,369	6,431,418
Supporting Services	16,087,885	19,617,440
Community Services	348,419	97,598
Payments to Other Districts	3,885,934	4,149,197
Unallocated Depreciation	395,070	410,603
Total Expenses	27,678,677	30,706,256
Change in Net Position	$ (959,133)	$ 312,037

Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2018	2017	Increase (Decrease)
Major Funds			
General	$ 2,709,348	$ 2,767,729	$ (58,381)
Special Education Fund	2,191,305	2,477,052	(285,747)
Vocational Education Fund	3,473,010	3,395,129	77,881
Nonmajor Funds			
General Capital Projects	291,748	329,482	(37,734)
Special Education Capital Projects	932,856	953,985	(21,129)
Vocational Education Capital Projects	269,933	445,805	(175,872)
Total Governmental Funds	$ 9,868,200	$ 10,369,182	$ (500,982)

In 2017-2018, the General Fund decreased its fund balance by $58,381. Decreases to local and state funding caused the decrease in fund balance.

The Special Education Fund decreased its fund balance during the year due to the fact that the District must meet maintenance of effort requirements. While local revenue streams continue to contract, the expenditures not related to restricted funding have remained constant or slightly increased from year to year, which causes the decrease in fund balance.

The Vocational Education Fund increased its fund balance by $77,881 during the fiscal year. Additional state funding received as a result of a higher emphasis being placed on developing skilled trades through legislation is the cause of the increase in fund balance.

All of the capital project funds have minimal revenues. The funds have accumulated resources to spend on capital projects over time. Any decrease in fund balance in any of these funds can be attributed to capital projects that were paid for during the fiscal year.

Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2017-2018 fiscal year, the District amended the budgets various times throughout the year. The following schedule shows a comparison of the original budget, the final amended and actual totals from operations for all three major funds.

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
General Fund	$ 6,458,970	$ 6,844,362	$ 6,412,906
Special Education Fund	12,122,677	12,988,393	12,980,019
Vocational Education Fund	6,637,901	7,440,054	7,312,239
EXPENDITURES (INCLUDING PAYMENTS TO OTHER DISTRICTS)			
General Fund	6,283,473	6,921,602	6,471,287
Special Education Fund	13,013,232	13,625,577	13,265,766
Vocational Education Fund	6,968,061	7,468,309	7,234,358

The General Fund increased its budgeted revenues and budgeted expenditures by significant amounts to account for grants and additional services provided to local school districts and the expenditures related to these revenues. The Special Education and Vocational Education funds increased both the budgeted revenue and budgeted expenditure amounts as those amounts became clearer throughout the year.

The General Fund revenues and expenditures were less than anticipated due to the District not expending all of its grant funds, which impacts both revenues and expenditures. The revenue variance in the Special Education Fund was minimal. The expenditure variance in the Special Education Fund was caused by the program being conscious of its spending and continued efforts to provide the appropriate level of service to its students in the lowest cost possible. Like the General Fund, the Vocational Education Fund did not expend all of its categorical funding, causing the variance between budgeted and actual revenues and expenditures.

Capital Asset and Debt Administration

Capital Assets. At June 30, 2018, the District has $18,329,666 in a broad range of capital assets, including school buildings and facilities, vehicles, and various types of equipment. Depreciation expense for the year amounted to $395,070 bringing the accumulated depreciation to $10,658,888 as of June 30, 2018. The District expended $274,851 on various building improvements, including a new roof, sidewalks, a retaining wall and an office addition and remodel. The District spent $166,441 on equipment, including a back hoe, a forklift, a copier, vocational education equipment, an air compressor and ventilators. The District is committed to spending another $333,299 in fiscal year 2018-2019 upon completion of an office addition and remodel for the Vocational Education program.

Long-Term Debt. At June 30, 2018, the District had no debt in the form of the bonds, loans, or notes. The District did report long-term debt related to its net pension liability ($28,605,158), net other postemployment benefit liability ($9,772,791) and compensated absences ($515,575).

Additional information related to this debt can be found in the notes to this report.

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- The District continues to monitor the Special Education Fund as the fund balance has declined over the past several years. The District will work with the local districts to determine a course of action to prevent further declines in fund balance.

- Each year the District receives different funds from federal and state sources for new programs. The District is tasked with developing these new programs and expending the resources in a manner that provides the best services and support to the students or districts these funds are intended for.

- Employee benefit costs seem to have stabilized, but the District continues to face challenges related to constant changes surrounding these benefits.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Wexford-Missaukee Intermediate School District, 9907 E. 13th Street, Cadillac, Michigan 49601.

THIS PAGE INTENTIONALLY LEFT BLANK

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 7,731,634
Investments	2,813,798
Due from Other Governments	1,956,767
Inventories	182,000
Total Current Assets	12,684,199
NON CURRENT ASSETS	
Capital Assets	18,329,666
Less Accumulated Depreciation	(10,658,888)
Total Non Current Assets	7,670,778
TOTAL ASSETS	20,354,977
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	6,958,575
Deferred Outflows of Resources Related to Other Postemployment Benefits	647,966
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,606,541
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	72,801
Due to Other Governments	163,003
Salaries and Benefits Payable	1,132,133
Accrued Expenses	407,439
Unearned Revenue	1,040,623
Total Current Liabilities	2,815,999

The notes to the financial statements are an integral part of this statement.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

NON CURRENT LIABILITIES	
Compensated Absences	515,575
Net Other Postemployment Benefits Liability	9,772,791
Net Pension Liability	28,605,158
Total Non Current Liabilities	38,893,524
TOTAL LIABILITIES	41,709,523
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	2,674,572
Deferred Inflows of Resources Related to Other Postemployment Benefits	330,391
TOTAL DEFERRED INFLOWS OF RESOURCES	3,004,963
NET POSITION	
Net Investment in Capital Assets	7,670,778
Restricted for Capital Projects	1,494,537
Unrestricted (Deficit)	(25,918,283)
TOTAL NET POSITION (Deficit)	$ (16,752,968)

The notes to the financial statements are an integral part of this statement.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	EXPENDITURES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS	PROGRAM REVENUES: CAPITAL GRANTS	GOVERNMENTAL ACTIVITIES: NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES					
Instruction	$ 6,961,369	$ 215,072	$ 2,375,651	$ 0	$ (4,370,646)
Supporting Services	16,087,885	2,877,850	6,204,191	0	(7,005,844)
Community Services	348,419	0	340,988	0	(7,431)
Payments to Other Districts	3,885,934	0	2,249,081	0	(1,636,853)
Unallocated Depreciation	395,070	0	0	0	(395,070)
TOTAL GOVERNMENTAL ACTIVITIES	$ 27,678,677	$ 3,092,922	$11,169,911	$ 0	(13,415,844)
GENERAL REVENUES					
Property Taxes - Levied for General Purposes					513,268
Property Taxes - Levied for Special Education					6,014,913
Property Taxes - Levied for Vocational Education					5,155,330
Investment Earnings					43,357
State Sources					606,818
Other					123,025
TOTAL GENERAL REVENUES					12,456,711
Change in Net Position					(959,133)
NET POSITION - Beginning of Year (Deficit) - As Restated					(15,793,835)
NET POSITION - End of Year (Deficit)					$ (16,752,968)

The notes to the financial statements are an integral part of this statement.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

	GENERAL FUND	SPECIAL EDUCATION FUND	VOCATIONAL EDUCATION FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	$ 2,630,401	$ 1,227,519	$ 2,953,443	$ 920,271	$ 7,731,634
Investments	675,306	949,397	613,405	575,690	2,813,798
Due from Other Governments	775,375	969,436	211,956	0	1,956,767
Inventory	0	0	182,000	0	182,000
TOTAL ASSETS	$ 4,081,082	$ 3,146,352	$ 3,960,804	$ 1,495,961	$ 12,684,199
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 55,295	$ 3,791	$ 12,291	$ 1,424	$ 72,801
Due to Other Governments	122,428	617	39,958	0	163,003
Salaries and Benefits Payable	92,220	744,288	295,625	0	1,132,133
Accrued Expenditures	61,168	206,351	139,920	0	407,439
Unearned Revenue	1,040,623	0	0	0	1,040,623
Total Liabilities	1,371,734	955,047	487,794	1,424	2,815,999
FUND BALANCE					
Nonspendable for:					
Inventory	0	0	182,000	0	182,000
Restricted for:					
Special Education	0	2,191,305	0	0	2,191,305
Vocational Education	0	0	3,291,010	0	3,291,010
Capital Projects	0	0	0	1,494,537	1,494,537
Assigned for:					
Subsequent Year Budget Shortfall	177,520	0	0	0	177,520
Regional Educational Media Center	154,503	0	0	0	154,503
Educational Technology Association	759,708	0	0	0	759,708
Educational Technology Association - Phones	1,394	0	0	0	1,394
Unassigned	1,616,223	0	0	0	1,616,223
Total Fund Balances	2,709,348	2,191,305	3,473,010	1,494,537	9,868,200
TOTAL LIABILITIES AND FUND BALANCES	$ 4,081,082	$ 3,146,352	$ 3,960,804	$ 1,495,961	$ 12,684,199

The notes to the financial statements are an integral part of this statement.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2018

Total Governmental Fund Balances		$ 9,868,200
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	$ 18,329,666	
Accumulated depreciation is	(10,658,888)	7,670,778
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability		(28,605,158)
Net Other Postemployment Benefits Liability		(9,772,791)
Compensated Absences		(515,575)
Deferred outflows and inflows of resources related to pensions and other postemploment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions and Other Postemployment Benefits		7,606,541
Deferred Inflows of Resources Related to Pensions and Other Postemployment Benefits		(3,004,963)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (16,752,968)

The notes to the financial statements are an integral part of this statement.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	SPECIAL EDUCATION FUND	VOCATIONAL EDUCATION FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Local Sources	$ 2,830,136	$ 6,652,037	$ 5,562,667	$ 9,390	$ 15,054,230
State Sources	3,349,894	3,952,069	1,204,166	0	8,506,129
Federal Sources	232,876	2,375,913	545,406	0	3,154,195
Total Revenues	6,412,906	12,980,019	7,312,239	9,390	26,714,554
EXPENDITURES					
Instruction	1,368	3,199,211	3,635,608	0	6,836,187
Supporting Services	4,350,938	8,393,890	3,156,043	0	15,900,871
Community Services	233,759	104,770	9,890	0	348,419
Capital Outlay	0	0	0	244,125	244,125
Total Expenditures	4,586,065	11,697,871	6,801,541	244,125	23,329,602
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,826,841	1,282,148	510,698	(234,735)	3,384,952
OTHER FINANCING SOURCES (USES)					
Payments to Other Districts	(1,885,222)	(1,567,895)	(432,817)	0	(3,885,934)
Net Change in Fund Balance	(58,381)	(285,747)	77,881	(234,735)	(500,982)
FUND BALANCE - Beginning of Year	2,767,729	2,477,052	3,395,129	1,729,272	10,369,182
FUND BALANCE - End of Year	$ 2,709,348	$ 2,191,305	$ 3,473,010	$ 1,494,537	$ 9,868,200

The notes to the financial statements are an integral part of this statement.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2018

Net Change in Fund Balances Total Governmental Funds	$	(500,982)
Amounts reported for governmental activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities these costs are allocated over their estimated useful lives as depreciation. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the Statement of Activities.		
Depreciation Expense		(395,070)
Capital Outlay		349,200
Employees Accumulated Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:		
Compensated Absences - Beginning of Year		513,778
Compensated Absences - End of Year		(515,575)
Governmental funds report district pension and other postemployment benefits contributions as expenditures. However, in the Statement of Activities, the cost of pension and other postemployment benefits earned net of employee contributions is reported as expense.		
Change in Pension and Other Postemployment Benefits Related Items		(415,474)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147 C pension and other postemployment benefits contributions subsequent to the measurement date.		
Change in State Aid Funding for Pension and Other Postemployment Benefits		4,990
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(959,133)

The notes to the financial statements are an integral part of this statement.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2018

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 136,240
LIABILITIES	
Due to Groups and Organizations	136,240
NET POSITION	$ 0

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Wexford-Missaukee Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District (the "District") is located in Wexford and Missaukee Counties with its administrative offices located in Cadillac, Michigan. The District operates under an elected board of education which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Education Fund* is used to account for funds provided from all sources including local extra voted millage, and Federal and State grant revenues received for the operation of special education programs and/or the distribution of funds to other local education agencies for operating special education programs.

The *Vocational Education Fund* is used to account for funds provided from all sources including local extra voted millage and Federal and State grant revenues received for the operation of vocational technical education programs. The Vocational Education fund also is used to account for Federal and State revenues received to operate job-training programs.

Other non-major funds:

The *capital project fund*s account for capital outlay expenditures in various programs throughout the District.

Additionally, the District reports the following fiduciary fund:

The A*gency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

a) The superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.

b) A public hearing is conducted during June to obtain taxpayer comments.

c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.

d) The budgets are legally adopted at the functional level for the District; however, they are maintained at the program level for control purposes.

e) The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the Board of Education.

f) Formal budgetary integration is employed as a management control device during the year for all governmental fund types.

g) The budget, as presented, has been amended in a legally permissible manner.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The District considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. Investments

Investments – Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration and the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings, and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two years of the date of purchase. The District's deposits and investments are held separately by several of the District's funds.

3. Inventory and Prepaid Items

Inventories are valued at cost using the first in/first out (FIFO) method. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures, when applicable. The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. Capital Assets

Capital assets include land, buildings and additions, equipment and furniture, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide statements. Capital assets are those with an initial individual cost of $5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are values at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at acquisition value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and Additions	40 - 50 years
Furniture and Equipment	5 - 20 years
Transportation Equipment	8 years

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District reports unearned revenue related to various local and state grants of which funds have been received but not yet spent.

6. *Defined Benefit Plans*

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position.* A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details are discussed later in this report.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details are discussed later in this report.

8. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board has authorized the chief financial officer to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

The District receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the collecting entity. The District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected. The District is permitted by the Constitution of the State of Michigan of 1963 to levy taxes up to $50 per $1,000 of assessed valuation for general governmental services other than the payment of Special Education, Vocational Education, and Debt Service Fund expenditures.

For the year ended June 30, 2018, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General Fund	0.2714
Special Education Fund	3.1705
Vocational Education Fund	2.7185

4. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences,* the District has recorded all liabilities associated with compensated absences. Accumulated vested and non-vested amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded as a liability on the government-wide statements.

5. Long-Term Obligations

Long-term debt is recognized as a liability on the government-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available resources is reported as a fund liability of a governmental fund. Currently the District has no long-term obligations other than compensated absences and its net pension liability.

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2018, the District's bank balance was $8,102,420 and $7,639,439 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. Of the $7,639,439 of uninsured funds, $7,503,199 was in the governmental funds and $136,240 was in the fiduciary funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

As of June 30, 2018, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF + Cash Mgmt Class	$ 598,707	0.0027	AAAm	21.28%
MILAF + Max Class	2,215,091	0.0027	AAAm	78.72%
	$ 2,813,798			100.00%
Portfolio Weighted Average Maturity		0.0027		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of "qualified" investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2018, the fair value of the District's investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

Fair Market Value Disclosure - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The District does not have any investments subject to the fair value measurement.

The carrying amount of deposits and investments is as follows:

	Total
Deposits - Including Fiduciary Funds of $136,240	$ 7,867,874
Investments	2,813,798
	$ 10,681,672

The above amounts are reported in the financial statements as follows:

	Total
Cash - Fiduciary Funds	$ 136,240
Cash - District-Wide	7,731,634
Investments	2,813,798
	$ 10,681,672

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor are as follows:

	General	Special Education Fund	Vocational Education Fund	Total
Receivables				
Due from Other Governments	$ 775,375	$ 969,436	$ 211,956	$ 1,956,767

The allowance for doubtful accounts is not considered to be material for disclosure. Due from other governments consists primarily of state aid revenue and federal grants.

C. Long-Term Debt

The following is a summary of changes in long-term debt (including current portions) of the District for the year ended June 30, 2018:

	Balance July 1, 2017	Increases	(Decreases)	Balance June 30, 2018	Due Within Year
Compensated Absences	$ 513,778	$ 553,131	$ 551,334	$ 515,575	Unknown
Net Other Postemployment Benefits Liability	10,308,129	323,852	859,190	9,772,791	Unknown
Net Pension Liability	27,005,274	4,188,972	2,589,088	28,605,158	Unknown
Total	$ 37,827,181	$ 5,065,955	$ 3,999,612	$ 38,893,524	Unknown

The annual requirements to amortize the compensated absences, pension liability, and the other postemployment benefits liability are uncertain because it is unknown when the repayments will be made. These liabilities will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

D. Capital Assets

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

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Assets Not Being Depreciated				
Land	$ 76,640	$ 0	$ 0	$ 76,640
Construction in Progress	92,092	32,300	92,092	32,300
Total Assets Not Being Depreciated	168,732	32,300	92,092	108,940
Other Capital Assets				
Buildings and Additions	14,127,797	242,551	0	14,370,348
Furniture and Equipment	3,298,538	166,441	6,500	3,458,479
Vehicles	391,899	0	0	391,899
Subtotal	17,818,234	408,992	6,500	18,220,726
Accumulated Depreciation				
Buildings and Additions	7,018,697	280,641	0	7,299,338
Furniture and Equipment	2,946,974	98,723	6,500	3,039,197
Vehicles	304,647	15,706	0	320,353
Total Accumulated Depreciation	10,270,318	395,070	6,500	10,658,888
Net Other Capital Assets	7,547,916	13,922	0	7,561,838
Net Capital Assets	$ 7,716,648	$ 46,222	$ 92,092	$ 7,670,778

Depreciation for the fiscal year ended June 30, 2018, amounted to $395,070. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

E. Defined Benefit Plan and Postemployment Benefits

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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://Michigan.gov/mpsers-cafr.

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.

Benefit Provisions - Overall

Introduction

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

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to pension reform of 2010 there were two plans commonly referred to as Basic and Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later, including Pension Plus plan members, contribute at various graduated permanently fixed contribution rates from 3.0% to 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service their after would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 accounts. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and the Defined Contribution Plan that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) – Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other Postemployment Benefit (OPEB)

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. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, 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.

Retiree Healthcare Reform of 2012

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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility – A basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60^{th} birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Members Contributions

Depending on the plan selected, member contributions range from 0% to 7% for pension and 0% to 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other post-employment benefits (OPEB). 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.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $2,868,883.

The District's OPEB contributions for the year ended June 30, 2018 were approximately $698,620.

These amounts for both pension and OPEB, include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

At June 30, 2018, the District reported a liability of $28,605,158 for its proportionate share of the 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 date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.1103839% and 0.1082411%.

MPSERS (Plan) Non-university Employers Net Pension Liability – As of September 30, 2017 and September 30, 2016

	September 30, 2017	September 30, 2016
Total Pension Liability	$ 72,407,218,688	$ 67,917,445,078
Plan Fiduciary Net Position	46,492,967,573	42,968,263,308
Net Pension Liability	$ 25,914,251,115	$ 24,949,181,770
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.21%	63.27%
Net Pension Liability as a Percentage of Covered Payroll	309.13%	295.81%

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

For the year ended June 30, 2018, the District recognized total pension expense of $2,199,086. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 248,598	$ 140,360
Changes of assumptions	3,133,922	0
Net difference between projected and actual earnings on pension plan investments	0	1,367,515
Changes in proportion and differences between District contributions and proportionate share of contributions	926,302	20,762
District section 147c revenue related to pension contributions subsequent to the measurement date	0	1,145,935
District contributions subsequent to the measurement date	2,649,753	0
Total	$ 6,958,575	$ 2,674,572

$2,649,753 reported as deferred outflows of resources and $1,145,935 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

Year Ended September 30,		Amount
2018	$	898,300
2019		1,312,464
2020		571,172
2021		(1,751)
	$	2,780,185

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

OPEB Liabilities

At June 30, 2018, the District reported a liability of $9,772,791 for its proportionate share of the 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 date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.1103588%.

MPSERS (Plan) Non-University Employers Net OPEB Liability – As of September 30, 2017 and September 30, 2016

		September 30, 2017		September 30, 2016
Total OPEB Liability	$	13,920,945,991	$	14,071,279,615
Plan Fiduciary Net Position		5,065,474,948		4,730,719,539
Net OPEB Liability	$	8,855,471,043	$	9,340,560,076
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		36.39%		33.62%
Net OPEB Liability as a Percentage of CoveredPayroll		105.64%		Unknown

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

For the year ended June 30, 2018, the District recognized total OPEB expense of $637,956.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 104,051
Net difference between projected and actual earnings on OPEB plan investments	0	226,340
Changes in proportion and differences between District contributions and proportionate share of contributions	430	0
District contributions subsequent to the measurement date	647,536	0
Total	$ 647,966	$ 330,391

$647,536 reported as deferred outflows of resources related to OPEB resulting from District 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:

Year Ended September 30,	Amount
2018	$ (79,744)
2019	(79,744)
2020	(79,744)
2021	(79,744)
2022	(10,985)
	$ (329,961)

H. Actuarial Valuations and Assumptions of the Pension Plan and OPEB Plans

Investment rate of return for Pension – 7.5% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Investment rate of return for OPEB – 7.5% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation – 3.0%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses 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.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members

Healthcare cost trend rate for other postemployment benefit – 7.5% for year one and graded to 3.5% to year twelve.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

Opt Out Assumption – 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 coverage 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.

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Pools	28.00%	5.60%
Alternative Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	-0.10%
Real Estate & Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short-Term Investment Pools	2.00%	-0.90%
	100%	

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

Pension Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan). 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 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.

OPEB Discount Rate

The 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 school districts 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 project 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

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%
$ 37,263,007	$ 28,605,158	$ 21,315,801

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

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

1% Decrease 6.5%	Current Single Discount Rate Assumption 7.5%	1% Increase 8.5%
$ 11,446,762	$ 9,772,791	$ 8,352,113

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease (6.5% decreasing to 2.5%	Trend Rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
$ 8,276,240	$ 9,772,791	$ 11,472,020

I. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2017 Comprehensive Annual Financial Report.

J. Payables to the Pension and OPEB Plan

As of June 30, 2018, the District is current on all required pension and other postemployment benefit plan payments. As of June 30, 2018, the District reported payables in the amount of $357,285 to the pension plan and $64,090 to the OPEB plan. These amounts represent accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

K. Interfund Receivables/Payables and Transfers

Often times, outstanding balances between funds exist mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. As of June 30, 2018, there were no interfund balances.

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. As of June 30, 2018, there were no interfund transfers.

L. Lease Information

The rental expense for the year ended June 30, 2018, totaled $20,174.

The rental expense consists of a lease agreement on a room located at the hospital in Cadillac. The lease expires on January 31, 2019. The future minimum lease payments for this lease are $12,838.

M. Risk Management

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, crime, garage, boiler, equipment, errors and omissions, and employee dishonesty. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event that the pool’s claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers’ Compensation Fund, with other school districts for workers’ compensation losses. The pool is organized under public Act 317 of 1969, as amended. In the event the pool’s claims and expenses exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessment to make up the deficiency. The District has been informed of any special assessments being required.

N. Flexible Benefits Plan

In January 1996, the District's Board approved action to implement a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The Plan, available to all employees, permits them to reduce their salary and put these amounts into a flexible benefit account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The Plan is administered by the Wexford-Missaukee Intermediate School District.

O. Single Audit Report

The District is required to have an audit performed in accordance with the guidelines of the Single Audit Act of 1984, as amended. This audit has been performed and the reports based thereon have been issued under separate cover.

P. Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

Q. Commitments

On May 28, 2018, the District signed a contract with Gerber Construction Company for an office addition and remodel for the Vocational Education program in the amount of $333,299. The project is expected to be completed in fiscal year 2018-2019. Additionally, on June 25, 2018 the District entered into an agreement with Northwest Michigan Works for a year-round job placement coordinator in the amount of $41,631, starting on July 1, 2018 and ending on June 30, 2019.

R. New Accounting Standards

The District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Summary:

GASB Statement No. 75 requires governments that participate in defined benefit other postemployment benefit (OPEB) plans to report in the statements of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of the beginning of the year net position is as follows:

Net Position - Governmental Activities - As Previously Reported, June 30, 2017	$ (5,965,824)
Adoption of GASB Statement 75:	
Net Other Postemployment Benefit Liability	(10,308,129)
Deferred Outflows of Resources Related to Other Postemployment Benefits	792,249
Deferred Inflows of Resources Related to Other Postemployment Benefits	(312,131)
Net Position - Governmental Activities - Restated as of June 30, 2017	$ (15,793,835)

S. Upcoming Accounting Pronouncements

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

GASB Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 fiscal year-end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The District is currently evaluating the effects this statement will have on the District's financial reporting.

Governmental Account Standards Board (GASB) Statement No. 87, *Leases,* was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' 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 the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

T. Tax Abatements

The District receives reduced property tax revenues as a result of the Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by cities, villages, and townships within the District. Industrial Facility exemptions are intended to promote construction of new industrial facilities or rehabilitate historical facilities. Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. The property taxes abated for the year ended June 30, 2018 (tax year 2017) for all funds by under these programs are as follows:

General Fund	$	1,454
Special Education Fund		16,592
Vocational Education Fund		14,950
	$	32,996

The District is considered an "in-formula" District. The taxes abated for the Special Education Fund and Vocational Education Fund are considered when the State of Michigan determines the District's funding under Section 56 and Section 62 of the State School Aid Act.

There are no significant abatements made by the District itself.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL FUND			SPECIAL EDUCATION FUND			VOCATIONAL EDUCATION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES									
Local Sources	$ 2,642,987	$ 2,868,575	$ 2,830,136	$ 6,209,925	$ 6,664,527	$ 6,652,037	$ 5,467,777	$ 5,603,781	$ 5,562,667
State Sources	3,815,983	3,581,442	3,349,894	3,618,763	3,943,490	3,952,069	568,844	1,306,986	1,204,166
Federal Sources	0	394,345	232,876	2,293,989	2,380,376	2,375,913	601,280	529,287	545,406
Total Revenues	6,458,970	6,844,362	6,412,906	12,122,677	12,988,393	12,980,019	6,637,901	7,440,054	7,312,239
EXPENDITURES									
Instruction	162,782	7,619	1,368	3,274,237	3,281,195	3,199,211	3,871,897	3,778,802	3,635,608
Supporting Services	3,968,804	4,568,309	4,350,938	8,240,892	8,630,035	8,393,890	2,586,123	3,245,191	3,156,043
Community Services	0	250,831	233,759	121,347	107,802	104,770	22,500	11,500	9,890
Total Expenditures	4,131,586	4,826,759	4,586,065	11,636,476	12,019,032	11,697,871	6,480,520	7,035,493	6,801,541
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,327,384	2,017,603	1,826,841	486,201	969,361	1,282,148	157,381	404,561	510,698
OTHER FINANCING SOURCES (USES)									
Payments to Other Districts	(2,151,887)	(2,094,843)	(1,885,222)	(1,376,756)	(1,606,545)	(1,567,895)	(487,541)	(432,816)	(432,817)
Net Change in Fund Balance	175,497	(77,240)	(58,381)	(890,555)	(637,184)	(285,747)	(330,160)	(28,255)	77,881
FUND BALANCE - Beginning of Year	1,525,569	2,767,729	2,767,729	2,543,617	2,477,051	2,477,052	2,732,162	3,395,127	3,395,129
FUND BALANCE - End of Year	$ 1,701,066	$ 2,690,489	$ 2,709,348	$ 1,653,062	$ 1,839,867	$ 2,191,305	$ 2,402,002	$ 3,366,872	$ 3,473,010

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2018

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)							0.11038%	0.10824%	0.10735%	0.10289%
District's proportionate share of net pension liability							$ 28,605,158	$ 27,005,274	$ 26,220,154	$ 22,663,897
District's covered payroll							9,249,156	9,173,475	8,949,352	8,746,235
District's proportionate share of net pension liability as a percentage of its covered payroll							309.27%	294.38%	292.98%	259.13%
Plan fiduciary net position as a percentage of total pension liability							64.21%	63.27%	63.17%	66.20%

CADILLAC, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2018

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions							$ 2,868,883	$ 2,641,748	$ 2,523,757	$ 2,010,603
Contributions in relation to statutorily required contributions *							2,868,883	2,641,748	2,523,757	2,010,603
Contribution deficiency (excess)							$ 0	$ 0	$ 0	$ 0
Covered payroll							$ 9,581,119	$ 9,541,340	$ 9,167,084	$ 8,856,340
Contributions as a percentage of covered payroll							29.94%	27.69%	27.53%	22.70%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2018

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)										0.1103588%
District's proportionate share of net OPEB liability										$ 9,772,791
District's covered payroll										9,249,156
District's proportionate share of net OPEB liability as a percentage of its covered payroll										105.66%
Plan fiduciary net position as a percentage of total OPEB liability										36.39%

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2018

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions										$ 698,620
Contributions in relation to statutorily required contributions *										698,620
Contribution deficiency (excess)										$ 0
Covered payroll										$ 9,581,119
Contributions as a percentage of covered payroll										7.29%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2018

1. Changes of Benefit Terms

There were no changes of benefit terms for the plan year ended September 30, 2017.

2. Changes of Assumptions

There were no changes of benefit assumptions for the plan year ended September 30, 2017.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2018

	CAPITAL PROJECTS FUNDS			
	GENERAL CAPITAL PROJECTS	SPECIAL EDUCATION CAPITAL PROJECTS	VOCATIONAL EDUCATION CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash	$ 57,624	$ 592,717	$ 269,930	$ 920,271
Investments	234,124	341,563	3	575,690
TOTAL ASSETS	$ 291,748	$ 934,280	$ 269,933	$ 1,495,961
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	$ 0	$ 1,424	$ 0	$ 1,424
FUND BALANCE				
Restricted for:				
Capital Projects	291,748	932,856	269,933	1,494,537
TOTAL LIABILITIES AND FUND BALANCE	$ 291,748	$ 934,280	$ 269,933	$ 1,495,961

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2018

	CAPITAL PROJECTS FUNDS			
	GENERAL CAPITAL PROJECTS	SPECIAL EDUCATION CAPITAL PROJECTS	VOCATIONAL EDUCATION CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Local Sources	$ 3,315	$ 5,526	$ 549	$ 9,390
EXPENDITURES				
Capital Outlay	41,049	26,655	176,421	244,125
Excess (Deficiency) of Revenues Over (Under) Expenditures	(37,734)	(21,129)	(175,872)	(234,735)
FUND BALANCE - Beginning of Year	329,482	953,985	445,805	1,729,272
FUND BALANCE - End of Year	$ 291,748	$ 932,856	$ 269,933	$ 1,494,537