



**Charlevoix-Emmet Intermediate School District**

**Financial Statements**

**For the Fiscal Year Ended  
June 30, 2018**

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

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Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Charlevoix-Emmet Intermediate School District (the "District") management's overview of the financial results for the year ended June 30, 2018.

## **FINANCIAL HIGHLIGHTS**

The overall condition of all funds remains very strong for the District. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available to meet the District's financial needs.

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 \$(26,520,771) (net position).

The District's total net position has increased by \$(380,739) this fiscal year.

At the end of the current fiscal year, the aggregated fund balance for the District's operational funds (General Fund, Special Education Fund, and Vocational Education Fund) was \$8,175,931.

## **USING THIS ANNUAL REPORT**

GASB 34 requires the District's financial statements be comprised of three components: Government-wide financial statements, fund financial statements, and the notes to the financial statements.

The statements are organized so the reader can understand the District as a whole (government-wide statements), and then to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The audit also contains supplemental information in addition to the basic financial statements themselves.

### **Reporting the District as a Whole**

#### *Government-wide financial statements*

One of the most important questions asked regarding the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities to help address this question. These statements include all assets and liabilities of the District accounted for using the accrual basis of accounting similar to that used by the private sector corporations. All of the current year's revenues and expenditures are taken into consideration regardless of when cash is received or paid.

The two statements report the District's net position and any changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as the property tax base, political conditions at the State level, student enrollment growth, quality of local service, and facility improvements prior to arriving at any conclusion regarding the overall health of the District.

### **Reporting the District's Most Significant Funds**

#### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The two types of funds: Governmental funds and fiduciary funds use different accounting methods as further discussed in the notes to the financial statements.

## Governmental Funds

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

## Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accrual basis of accounting is used to account for fiduciary funds.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Below is a summary of the District's net position as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017*</u>
<b><u>Governmental Activities</u></b> <b>(in millions)</b>		
<b>Assets</b>		
Current assets	\$ 10.84	\$ 10.09
Noncurrent assets	3.09	3.17
Total assets	<u>13.93</u>	<u>13.26</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflow for pension and OPEB obligations	<u>5.76</u>	<u>3.58</u>
<b>Liabilities</b>		
Current liabilities	2.62	2.18
Non-current liabilities	41.34	29.99
Total liabilities	<u>43.96</u>	<u>32.17</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflow of resources for pension and OPEB obligations	<u>2.25</u>	<u>0.15</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	3.09	3.17
Restricted	0.18	0.25
Unrestricted	<u>(29.79)</u>	<u>(18.89)</u>
Total net position	<u>\$ (26.52)</u>	<u>\$ (15.47)</u>

The District currently reports positive balances in each category of net position.

Operations for the District as a whole are presented in the statement of activities. The following summary shows the changes in net position for fiscal years 2018 and 2017.

<b><u>Governmental Activities</u></b>		
<b>(in millions)</b>		
	<b><u>2018</u></b>	<b><u>2017*</u></b>
<b>Revenue</b>		
Program revenue		
Charges for services	\$ 2.31	\$ 2.65
Operating grants and contributions	11.88	10.76
General revenue		
Property taxes	14.85	14.59
State school aid	0.55	0.55
Other	0.03	0.01
	<u>29.62</u>	<u>28.56</u>
<b>Function/Program Expenses</b>		
Instruction	4.50	4.07
Supporting services	17.77	17.63
Food service	0.00	0.00
Transfers to other local units and other services	7.73	7.23
	<u>30.00</u>	<u>28.93</u>
Total revenue		
	<u>\$ (0.38)</u>	<u>\$ (0.37)</u>

*\*The District implemented GASB 75 during the year ended June 30, 2018. The impact on the Statement of Net Position and Statement of Activities for the year ended June 30, 2017 is unknown and, therefore, the Statement of Net Position and Statement of Activities for 2018 and 2017 are not comparable.*

As reported in the Statement of Activities, the cost of all *governmental activities* this year was \$30.00 million. While \$14.85 million in revenue was generated directly from local taxpayers, another \$2.31 million was generated through “charges for actual services” by local districts, other ISDs, or individuals that benefited directly from our services. State, Federal and other regional grants and programs brought \$11.88 million to the District. The District received \$0.58 million in state school aid and other sources, inclusive of investment earnings.

Net position for the year ended June 30, 2018 increased by \$(380,739) million.

### **MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The District’s budgets are prepared in accordance with Michigan Law. The most significant budgeted funds are the General Fund, Special Education Fund, and the Vocational Education Fund.

During fiscal 2018, the District amended the budgets of these major governmental funds once. With the ongoing changes in the state revenues and uncertainty of the final impact on the ISD, it was deemed unnecessary to amend the budgets until the final figures were known.

#### **General Fund**

During the fiscal year, the General Fund increased the fund balance by \$54,083. The ISD changed services for the alternative education programs during the fiscal year saving costs of \$43,500. AmeriCorps members, the program finalized its last year of operation saving nearly \$18,000 in operational funds.

### **Special Education**

The Special Education Fund increased the fund balance by \$325,321. The increased ISD revenues came from a combination of property tax revenue of \$175,102 and state section 51 special education categorical funds of \$346,860. Classroom instruction expenditures increased by \$280,356. Part of this increase costs was in direct relation to the addition of a new classroom added to serve the growing special needs student population.

### **Vocational Education**

Vocational Education Fund decreased the fund balance by \$2,018. A collaboration with Networks Northwest to place a Youth CTE Placement Advisor in two local school districts for a CTE welding program, was the major factor in utilizing the vocational education funds during the school year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The District's investment in capital assets as of June 30, 2018 amounted to \$6,291,851. These assets have accumulated \$3,198,496 of depreciation. The capitalized assets include buildings, land and the transportation fleet. During this fiscal year, the ISD's net capital assets decreased by \$77,192. A categorized listing of the assets is highlighted below:

### **Capital Assets, Net**

	<u>2018</u>	<u>2017</u>
Land	\$ 477,145	\$ 477,145
Land improvements	157,538	180,260
Buildings	1,324,570	1,367,552
Building improvements	352,381	322,738
Non-bus vehicles	59,488	87,062
Buses	485,712	623,585
Equipment	<u>236,522</u>	<u>111,141</u>
Total net position	<u>\$ 3,093,356</u>	<u>\$ 3,169,483</u>

Further information regarding capital assets can be found in the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Charlevoix-Emmet ISD is anticipating 3.00% increase in taxable value for the 2018-2019 fiscal year. State sources are budgeted to remain the same moving into next fiscal year. In May 2018, the ISD voters approved a renewal of the Vocation Education millage. These funds are pivotal in providing students with learning technical skills to use as they transition out of high school.

An ISD-Wide Enhancement millage was approved by voters in November 2017. The 1.00 mills levied will flow 100% back to the local districts and will allow local district unrestricted funds to enhance educational opportunities for all students.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Lisa M. Krosnicki  
Chief Financial Officer  
Charlevoix-Emmet Intermediate School District  
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Charlevoix, MI 49720



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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Education  
Charlevoix-Emmet Intermediate School District  
Charlevoix, 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 *Charlevoix-Emmet Intermediate School District* (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 District'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 District'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 Charlevoix-Emmet Intermediate School District as of June 30, 2018, and the respective changes in financial position, and where applicable, budgetary comparison for the General Fund, Special Education Fund and Vocational Education Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### *Accounting Change*

As described in Note II to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, during the year ended June 30, 2018.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining non-major fund financial statements and the Schedule of Expenditures of Federal Awards 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 non-major fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the District's internal control over financial reporting and compliance.

*Dennis, Gartland & Niergarth*

October 9, 2018

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2018**

<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 9,121,705
Accounts receivable	38,802
Due from other governmental units	1,682,107
Inventories	1,145
<b>Total current assets</b>	<b><u>10,843,759</u></b>
<b>Noncurrent assets</b>	
Capital assets not being depreciated	477,145
Capital assets being depreciated, net	2,616,211
<b>Total noncurrent assets</b>	<b><u>3,093,356</u></b>
<b>Total assets</b>	<b><u>13,937,115</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow for pension obligation	5,216,492
Deferred outflow for other post-employment benefits obligation	542,339
<b>Total deferred outflows of resources</b>	<b><u>5,758,831</u></b>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 19,695,946</u></b>
<b>LIABILITIES</b>	
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 263,692
Accrued liabilities	2,342,486
Accrued interest payable	14,119
<b>Total current liabilities</b>	<b><u>2,620,297</u></b>
<b>Noncurrent liabilities</b>	
Accrued compensated absences	67,128
Net pension liability	30,751,203
Other post-employment benefits obligation	10,525,650
<b>Total noncurrent liabilities</b>	<b><u>41,343,981</u></b>
<b>Total liabilities</b>	<b><u>43,964,278</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflow of resources for pension obligation	1,896,596
Deferred inflow of resources for other post-employment benefits obligation	355,843
<b>Total deferred inflows of resources</b>	<b><u>2,252,439</u></b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	3,093,356
Restricted for:	
Capital projects	47,531
Northwest transportation consortium	128,312
Unrestricted (deficit)	(29,789,970)
<b>Total net position</b>	<b><u>(26,520,771)</u></b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b><u>\$ 19,695,946</u></b>

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Instruction	\$ 4,501,281	\$ 326,774	\$ -	\$ (4,174,507)
Supporting services	17,769,008	1,979,582	11,878,676	(3,910,750)
Food service	697	-	-	(697)
Transfers to other local units and other services	7,734,814	-	-	(7,734,814)
<b>Total governmental activities</b>	<b><u>\$ 30,005,800</u></b>	<b><u>\$ 2,306,356</u></b>	<b><u>\$ 11,878,676</u></b>	<b><u>(15,820,768)</u></b>
<b>General revenue</b>				
Property taxes				
General				1,068,083
Special education				9,779,902
Vocational education				4,005,311
State school aid				546,920
Unrestricted investment earnings and other				39,813
<b>Total general revenue</b>				<b><u>15,440,029</u></b>
<b>Change in net position</b>				<b>(380,739)</b>
Net position, beginning of year, <i>as restated</i>				<u>(26,140,032)</u>
<b>Net position, end of year</b>				<b><u>\$ (26,520,771)</u></b>

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Vocational Education Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,537,859	\$ 6,758,714	\$ 777,601	\$ 47,531	\$ 9,121,705
Accounts receivable	260	38,542	-	-	38,802
Due from other funds	5,436	-	4,968	-	10,404
Due from other governmental units	683,690	876,187	122,230	-	1,682,107
Inventories	-	1,145	-	-	1,145
<b>Total assets</b>	<b><u>\$ 2,227,245</u></b>	<b><u>\$ 7,674,588</u></b>	<b><u>\$ 904,799</u></b>	<b><u>\$ 47,531</u></b>	<b><u>\$ 10,854,163</u></b>
<b>Liabilities and fund balances</b>					
Accounts payable	\$ 232,887	\$ 22,566	\$ 8,239	\$ -	\$ 263,692
Accrued liabilities	542,946	1,729,857	69,683	-	2,342,486
Due to other funds	-	12,393	12,130	-	24,523
<b>Total liabilities</b>	<b><u>775,833</u></b>	<b><u>1,764,816</u></b>	<b><u>90,052</u></b>	<b><u>-</u></b>	<b><u>2,630,701</u></b>
<b>Fund balances</b>					
Non-spendable					
Inventories	-	1,145	-	-	1,145
Restricted					
Special Education	-	5,908,627	-	-	5,908,627
Vocational Education	-	-	814,747	-	814,747
Capital Projects	-	-	-	47,531	47,531
Committed					
Employee conferences	14,531	-	-	-	14,531
Subsequent year's expenditures	90,726	-	-	-	90,726
Assigned					
Insurance pool	285,203	-	-	-	285,203
Unassigned	1,060,952	-	-	-	1,060,952
<b>Total fund balances</b>	<b><u>1,451,412</u></b>	<b><u>5,909,772</u></b>	<b><u>814,747</u></b>	<b><u>47,531</u></b>	<b><u>8,223,462</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,227,245</u></b>	<b><u>\$ 7,674,588</u></b>	<b><u>\$ 904,799</u></b>	<b><u>\$ 47,531</u></b>	<b><u>\$ 10,854,163</u></b>

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL**  
**FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET**  
**POSITION**  
**JUNE 30, 2018**

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<b>Fund balances - total governmental funds</b>	\$	8,223,462
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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, therefore, are not reported in the funds

Add - capital assets		6,291,851
Deduct - accumulated depreciation		(3,198,495)

Long-term liabilities are not due and payable in the current period, and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Add - deferred outflow of resources for net pension obligation		5,216,492
Add - deferred outflow of resources for post-employment benefits obligation		542,339
Deduct - accrued compensated absences		(67,128)
Deduct - net pension liability		(30,751,203)
Deduct - post-employment benefits obligation		(10,525,650)
Deduct - deferred inflow of resources for net pension obligation		(1,896,596)
Deduct - deferred inflow of resources for post-employment benefits obligation		(355,843)

<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(26,520,771)</u></b>
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**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Vocational Education Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
<b>Local sources</b>					
Property taxes	\$ 1,062,860	\$ 9,732,080	\$ 3,985,726	\$ -	\$ 14,780,666
Other taxes	5,223	47,822	19,585	-	72,630
Earnings on investments	8,684	10,831	7,680	1,584	28,779
Services to local school districts	984,756	138,038	-	-	1,122,794
Other local sources	147,768	1,035,764	32	-	1,183,564
<b>State sources</b>					
State Aid	2,995,775	5,345,732	581,701	-	8,923,208
State grants from other sources	163,265	107,271	212,299	-	482,835
<b>Federal sources</b>	635,568	2,214,451	169,534	-	3,019,553
<b>Total revenues</b>	<b>6,003,899</b>	<b>18,631,989</b>	<b>4,976,557</b>	<b>1,584</b>	<b>29,614,029</b>
<b>Expenditures</b>					
Instruction	572,849	3,573,046	140,106	-	4,286,001
Supporting services	2,940,964	12,657,979	1,300,788	697	16,900,428
Community services	309,811	20,202	-	-	330,013
Transfers to locals and other services	2,168,692	2,058,441	3,507,681	-	7,734,814
Capital outlay	-	-	-	73,143	73,143
<b>Total expenditures</b>	<b>5,992,316</b>	<b>18,309,668</b>	<b>4,948,575</b>	<b>73,840</b>	<b>29,324,399</b>
<b>Revenues over (under) expenditures</b>	<b>11,583</b>	<b>322,321</b>	<b>27,982</b>	<b>(72,256)</b>	<b>289,630</b>
<b>Other financing sources (uses)</b>					
Sale of capital assets	12,500	3,000	-	-	15,500
Transfers in	30,000	-	-	-	30,000
Transfers out	-	-	(30,000)	-	(30,000)
<b>Total other financing sources (uses)</b>	<b>42,500</b>	<b>3,000</b>	<b>(30,000)</b>	<b>-</b>	<b>15,500</b>
<b>Net change in fund balances</b>	<b>54,083</b>	<b>325,321</b>	<b>(2,018)</b>	<b>(72,256)</b>	<b>305,130</b>
Fund balances, beginning of year	1,397,329	5,584,451	816,765	119,787	7,918,332
<b>Fund balances, end of year</b>	<b>\$ 1,451,412</b>	<b>\$ 5,909,772</b>	<b>\$ 814,747</b>	<b>\$ 47,531</b>	<b>\$ 8,223,462</b>

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Net change in fund balances - governmental funds</b>	\$	305,130
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense</p>		
Add - capital outlay		217,053
Deduct - depreciation expense		(288,712)
Change in deferred outflows of resources for pension obligation		1,640,234
Change in deferred outflows of resources for post-employment benefits obligation		109,644
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the statement of revenues, expenditures and changes in fund balance</p>		
Loss on disposal of fixed assets		(4,468)
Change in accrued compensated absences		24,274
Change in net pension liability		(854,312)
Change in post-employment benefits obligation		576,579
Change in deferred inflows of resources for pension obligation		(1,750,318)
Change in deferred inflows of resources for post-employment benefits obligation		(355,843)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>(380,739)</u></b>

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund				Special Education Fund			
	Budget Amounts		Actual	Actual Over (Under) Final Budget	Budget Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final			Original	Final		
<b>Revenues</b>								
Local sources	\$ 2,181,985	2,223,383	\$ 2,221,791	\$ (1,592)	\$ 11,049,207	\$ 10,967,718	\$ 10,967,535	\$ (183)
State sources	3,164,448	3,167,513	3,159,040	(8,473)	4,664,963	5,453,005	5,453,003	(2)
Federal sources	637,497	638,290	635,568	(2,722)	2,236,851	2,214,451	2,214,451	-
<b>Total revenues</b>	<b>5,983,930</b>	<b>6,029,186</b>	<b>6,016,399</b>	<b>(12,787)</b>	<b>17,951,021</b>	<b>18,635,174</b>	<b>18,634,989</b>	<b>(185)</b>
<b>Expenditures</b>								
Instruction								
Compensatory education	555,819	573,964	572,849	(1,115)	-	-	-	-
Added needs	-	-	-	-	3,403,024	3,578,156	3,573,046	(5,110)
Supporting services								
Pupil services	357,822	197,365	197,262	(103)	7,177,493	7,125,528	7,113,908	(11,620)
Instructional staff	927,808	844,171	842,123	(2,048)	1,438,639	1,357,225	1,355,031	(2,194)
Administration and supervision	541,095	428,800	427,418	(1,382)	789,563	701,976	696,209	(5,767)
Other supporting services	1,713,362	1,488,772	1,474,161	(14,611)	3,616,043	3,552,223	3,492,831	(59,392)
Community service	320,855	314,370	309,811	(4,559)	7,300	20,390	20,202	(188)
Payments to other local governmental units	2,019,290	2,176,047	2,168,692	(7,355)	2,066,960	2,058,442	2,058,441	(1)
<b>Total expenditures</b>	<b>6,436,051</b>	<b>6,023,489</b>	<b>5,992,316</b>	<b>(31,173)</b>	<b>18,499,022</b>	<b>18,393,940</b>	<b>18,309,668</b>	<b>(84,272)</b>
<b>Revenues over (under) expenditures</b>	<b>(452,121)</b>	<b>5,697</b>	<b>24,083</b>	<b>18,386</b>	<b>(548,001)</b>	<b>241,234</b>	<b>325,321</b>	<b>84,087</b>
<b>Other financing sources (uses)</b>								
Transfers in	230,000	30,000	30,000	-	-	-	-	-
Transfers out	-	-	-	-	(200,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>230,000</b>	<b>30,000</b>	<b>30,000</b>	<b>-</b>	<b>(200,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(222,121)</b>	<b>35,697</b>	<b>54,083</b>	<b>18,386</b>	<b>(748,001)</b>	<b>241,234</b>	<b>325,321</b>	<b>84,087</b>
Fund balances, beginning of year	1,397,329	1,397,329	1,397,329	-	5,584,451	5,584,451	5,584,451	-
<b>Fund balances, end of year</b>	<b>\$ 1,175,208</b>	<b>\$ 1,433,026</b>	<b>\$ 1,451,412</b>	<b>\$ 18,386</b>	<b>\$ 4,836,450</b>	<b>\$ 5,825,685</b>	<b>\$ 5,909,772</b>	<b>\$ 84,087</b>

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS - Continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Vocational Education Fund			Actual Over (Under) Final Budget
	Budget Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 4,024,690	\$ 4,013,029	\$ 4,013,023	\$ (6)
State sources	357,225	794,003	794,000	(3)
Federal sources	181,795	169,534	169,534	-
<b>Total revenues</b>	<b>4,563,710</b>	<b>4,976,566</b>	<b>4,976,557</b>	<b>(9)</b>
<b>Expenditures</b>				
Instruction				
Compensatory education	147,980	140,264	140,106	(158)
Supporting services				
Pupil services	289,023	301,689	301,553	(136)
Instructional staff	482,221	467,150	466,730	(420)
Administration and supervision	81,437	120,708	112,418	(8,290)
Other supporting services	391,081	420,275	420,087	(188)
Payment to other local governmental units	3,140,789	3,507,681	3,507,681	-
<b>Total expenditures</b>	<b>4,532,531</b>	<b>4,957,767</b>	<b>4,948,575</b>	<b>(9,192)</b>
<b>Revenues under expenditures</b>	<b>31,179</b>	<b>18,799</b>	<b>27,982</b>	<b>9,183</b>
<b>Other financing sources (uses)</b>				
Transfers out	(30,000)	(30,000)	(30,000)	-
<b>Net change in fund balances</b>	<b>1,179</b>	<b>(11,201)</b>	<b>(2,018)</b>	<b>9,183</b>
Fund balances, beginning of year	816,765	816,765	816,765	-
<b>Fund balances, end of year</b>	<b>\$ 817,944</b>	<b>\$ 805,564</b>	<b>\$ 814,747</b>	<b>\$ 9,183</b>

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUND**  
**JUNE 30, 2018**

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<b>Assets</b>			
Cash		\$	76,239
Accounts receivable			3,601
Due from other funds			<u>17,632</u>
<b>Total assets</b>		<b>\$</b>	<b><u>97,472</u></b>
<b>Liabilities</b>			
Accounts payable		\$	10,860
Due to student groups			83,099
Due to other funds			<u>3,513</u>
<b>Total liabilities</b>		<b>\$</b>	<b><u>97,472</u></b>

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**

**INDEX**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

*Charlevoix-Emmet Intermediate School District* (the “District”) is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. The financial reporting entity of Charlevoix-Emmet Intermediate School District includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature and significance of their relationship with the School District, must be included to prevent the School District’s financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board (“GASB”) Statement No. 61, management has not identified any component units. Student, parent and teacher organizations are not included, except to the extent that the School District holds assets in the capacity of an agent.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2018.

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

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

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

---

### C. Measurement focus, basis of accounting and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a current liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded when paid or when payment is due.

Property taxes, State school aid, expenditure driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

Fiduciary Funds are reported using the economic resources measurement focus.

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 general government, except those accounted for in another fund.

The *Special Education Fund* accounts for monies received from Federal, State and local sources which are restricted to instruction and services related to special education.

The *Vocational Education Fund* accounts for monies received from Federal, State and local sources that are restricted to instruction and services related to providing vocational education.

Additionally, the government reports the following non-major funds:

The *Capital Project Fund* accounts for the acquisition or construction of capital assets.

The *School Lunch Fund* accounts for the monies and commodities received from Federal, State and Local sources, which are restricted to food services.

#### *Fiduciary Funds*

The *Agency Fund* accounts for assets held for other groups in an agency capacity.

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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The financial statements of the District are prepared in accordance with generally accepted accounting principles (“GAAP”). The District’s reporting applies all relevant Governmental Accounting Standards Board (“GASB”) pronouncements.

The effect of inter-fund activity has been eliminated from the government-wide financial statements.

### **D. Assets, liabilities and net position or equity**

#### **1. *Deposits and investments***

The District’s cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All investments are recorded at fair value.

#### **Statutory Authority**

Michigan law authorizes the District to deposit and invest in:

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

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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2. *Receivables and payables*

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

3. *Inventories*

Inventories, which consist of supplies, are valued at cost on the first-in/first-out (“FIFO”) method. Inventories are recorded as expenditures when consumed rather than when purchased.

4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	20-50
Buildings	50
Building improvements	10-50
Non-bus vehicles	5- 7
Buses	10
Equipment	10

5. *Accrued compensated absences*

For those employees paid on the support schedule retiring or terminating employment for other than cause, and having ten (10) or more years of service with the District, the employee will be paid at a rate of 25% for unused sick leave at their date of termination.

All accrued compensated absences accrue when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when they become current.

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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**6. *Long-term obligations***

In the government-wide financial statements, long-term debt obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recognized during the current period.

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

**7. *Fund balance***

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board of Education through approval of resolutions. Assigned fund balances is a limitation imposed by the Superintendent as a designee of the Board of Education. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

**8. *Pension Plan***

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

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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### 9. *Post-Employment Benefits Other Than Pensions*

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

### E. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

## II. ACCOUNTING CHANGES

In June 2015, the Governmental Accounting Standards Board issued Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, an amendment of GASB Statement No. 45. GASB 75 improves accounting and financial reporting by state and local governments for post-employment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity and creating additional transparency.

GASB 75 requires employers to report net OPEB benefits as a liability in the statement of net position. GASB 75 requires immediate recognition of the OPEB expense, including annual service cost and interest, and the effect of changes in benefit terms on the net OPEB liability. Cost-sharing employers are required to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. GASB 75 also requires expanded note disclosures and required supplementary information covering the past 10 years for the net OPEB liability.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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The School District implemented GASB 75 during the year by retroactive restatement of June 30, 2017 net position, as follows:

Net position at June 30, 2017, <i>as originally stated</i>	\$ (15,470,498)
Record net OPEB liability at June 30, 2017	<u>(10,669,534)</u>
Net position at June 30, 2017, <i>as restated</i>	<u>\$ (26,140,032)</u>

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

The General and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with accounting principles generally accepted in the United States of America, and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a categorical basis. All annual appropriations lapse at fiscal year-end.

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

1. Prior to June 30, the superintendent of the District submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1 of that year. The operating budget includes proposed expenditures and the means of financing them for the General, Special Education, Vocational Education and School Lunch, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted at the Board of Education meetings of the District to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution, in accordance with Public Act 621 of 1978.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. The District is required, under Public Act 621 of 1978, to adopt a budget for the General and individual Special Revenue Funds. For the year ended June 30, 2018, the Board of Education adopted budgets for all funds, except the Debt Service, Capital Projects and Agency Funds. Budget appropriations were adopted at a categorical level and lapse at year-end.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

6. Budget amounts are reported in the financial statements as originally adopted or as amended by the Board of Education.

**B. No excess of expenditures over appropriations**

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2018, the District was in compliance with the Act.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and cash equivalents and investments**

Cash and cash equivalents are composed of the following, which includes \$76,239 recorded in fiduciary funds.

Deposits	\$ 5,122,191
Investments	<u>4,075,753</u>
<b>Total</b>	<b><u>\$9,197,944</u></b>

The District chooses to disclose its investments by specifically identifying each. As of year-end, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating (S&amp;P)</u>
Michigan Liquid Asset Fund	31 days	\$4,075,753	AAAm

**Investment and deposit risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note D-1 of the summary of significant accounting policies. The District’s investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end. MILAF investments are carried at amortized cost and are not subject to withdrawal restrictions.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note D-1 of the summary of significant accounting policies. The District’s investment policy does not have specific limits in excess of State law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$8,706,947 of the District's bank balance of \$9,206,947 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. Of the above \$4,075,753 of investments, the District has a custodial credit risk exposure of the security's balance of \$4,075,753 because it is uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for this particular security.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in Note D-1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of State law on concentration of credit risk. The investment held by the District in the Michigan Liquid Asset Fund exceeds five percent of the District's total investments. All investments held at year-end are reported above.

**B. Intergovernmental receivables and unearned revenue**

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Grant revenues deferred in the governmental fund financial statements include unearned revenue. Unavailable revenue received more than 60 days following year-end, (unavailable to pay liabilities of the current period) is reported as deferred inflows of resources.

Amounts due from other governments at June 30, 2018, are as follows:

Due from the State grants	\$ 1,528,728
Due from Federal grants	115,393
Other receivables	<u>37,986</u>
	<u><b>\$ 1,682,107</b></u>

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**C. Capital assets**

Capital asset activity in the governmental activities is as follows:

	<b>July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2018</b>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 477,145	\$ -	\$ -	\$ 477,145
Capital assets being depreciated				
Land improvements	462,235	-	-	462,235
Buildings	2,149,074	-	-	2,149,074
Building improvements	615,953	72,645	-	688,598
Non-bus vehicles	309,721	-	(63,885)	245,836
Buses	1,816,876	-	-	1,816,876
Equipment	307,679	144,408	-	452,087
Total capital assets being depreciated	5,661,538	217,053	(63,885)	5,814,706
Less accumulated depreciation				
Land improvements	(281,975)	(22,722)	-	(304,697)
Buildings	(781,522)	(42,982)	-	(824,504)
Building improvements	(293,215)	(43,002)	-	(336,217)
Non-bus vehicles	(222,659)	(23,106)	59,417	(186,348)
Buses	(1,193,291)	(137,873)	-	(1,331,164)
Equipment	(196,538)	(19,027)	-	(215,565)
Total accumulated depreciation	(2,969,200)	(288,712)	59,417	(3,198,495)
Total capital assets being depreciated, net	2,692,338	(71,659)	(4,468)	2,616,211
<b>Governmental activities capital assets, net</b>	<b>\$ 3,169,483</b>	<b>\$ (65,275)</b>	<b>\$ (4,468)</b>	<b>\$ 3,093,356</b>

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
Instruction	\$ 88,829
Supporting services	<u>199,883</u>
<b>Total depreciation expense – governmental activities</b>	<b><u><u>\$ 288,712</u></u></b>

**D. Interfund receivables, payables and transfers**

As of June 30, 2018, interfund balances consisted of the following:

	<b><u>Interfund Receivable</u></b>	<b><u>Interfund Payable</u></b>
<b>Major governmental funds</b>		
General Fund	\$ 5,436	\$ -
Special Education Fund	-	12,393
Vocational Education Fund	4,968	12,130
<b>Agency fund</b>	<u>17,632</u>	<u>3,513</u>
	<b><u><u>\$ 28,036</u></u></b>	<b><u><u>\$ 28,036</u></u></b>

These amounts represent short-term balances due between the funds as a result of the District's cash receipting process.

For the year ended June 30, 2018, inter-fund transfers consisted of the following:

	<b><u>Transfers In</u></b>	<b><u>Transfers Out</u></b>
<b>Major governmental funds</b>		
General Fund	\$ 30,000	\$ -
Vocational Education Fund	<u>-</u>	<u>30,000</u>
	<b><u><u>\$ 30,000</u></u></b>	<b><u><u>\$ 30,000</u></u></b>

Transfers are to use revenue collected in the General Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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**E. Long-term obligations**

Long-term obligation activity was as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Compensated absences	<u>\$ 91,402</u>	<u>\$ -</u>	<u>\$ (24,274)</u>	<u>\$ 67,128</u>	<u>\$ -</u>

**V. OTHER INFORMATION**

**A. Risk management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The District belongs to the SET-SEG Property/Casualty Pool, Inc., a public entity risk pool currently operating as a common risk management and insurance program for various school districts throughout the State. The District pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$1 million for each insured event. Although the District could be assessed charges beyond the annual premium, the likelihood of receiving such an assessment is minimal.

The District also belongs to the SEG Self-insured Workers' Disability Compensation Fund, a public entity risk pool currently operating as a common risk management and workers' compensation insurance program for various school districts throughout the State. The District pays an annual premium for its workers' compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims. The District could be assessed charges beyond the annual estimated liability based on actual payroll and claims. The likelihood of receiving such an assessment is minimal.

The District is self-insured in health insurance. Blue Cross and Blue Shield is the third party administrator. The District has stop loss coverage with Blue Cross Blue Shield of Michigan for any claims exceeding \$95,000.

The health insurance claims liability of \$150,785 reported in the General, Special and Vocational Educational Special Revenue Funds at June 30, 2018, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

reasonably estimated. The claims liability is reported based on information from the insurance agent. No annuity contracts have been purchased for the claims liability.

The changes in the liability for the year ended June 30, 2018, is as follows:

	<b>Beginning of Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Year Liability</b>
2018	<u>\$ 167,179</u>	<u>\$ 2,818,045</u>	<u>\$ (2,834,439)</u>	<u>\$ 150,785</u>

**B. Property taxes**

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 or December 1 of the following year by the various governmental units within the District. Delinquent real taxes are advanced to the District by the Revolving Tax Funds of the counties within the District.

During the fiscal year, \$.1989, \$1.8200 and \$.7445 per \$1,000 of equalized homestead and non-homestead property value in the District of \$5,338,441,166 was levied for general operating, special education and vocational education purposes, respectively.

**C. Pension plan**

*Plan Description*

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

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

The System is administered by the Office of Retirement Services ("ORS") within the Michigan Department of Technology, Management and 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.

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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

### ***Benefits Provided***

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

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

### ***Regular Retirement***

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation ("FAC"). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period.

There is no mandatory retirement age.

### ***Funding Policy***

#### ***Defined Contribution Plan***

Employer contributions to the Plan are dependent on the plan elected by the participant.

### ***Contributions***

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

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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

The schedule below summarizes pension contribution rates in effect for the Plan’s fiscal year September 30, 2017:

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

Required contributions to the pension plan from the School District were \$2,783,329 for the year ended September 30, 2017.

The School District's contributions to the MPSERS Defined Contribution Plan were \$79,295, for the year ended June 30, 2018, which is equal to the pension expense recognized by the School District for the year.

*Post-Employment Benefits*

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverages. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS Plan discussed above.

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

At June 30, 2018, the School District reported a liability of \$30,751,203 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2016. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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from all applicable employees during the measurement period. At September 30, 2017, the School District's proportion was 0.00118665% which was a decrease of 0.00001165% from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$3,265,889. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 267,249	\$ 150,890
Changes of assumptions	3,369,039	-
Net difference between projected and actual earnings on pension plan investments	-	1,470,110
Changes in proportion and differences between employer contributions and proportionate share of contributions	349,348	275,596
District contributions subsequent to the measurement date	1,230,856	-
	<hr/>	<hr/>
Total	<u>\$ 5,216,492</u>	<u>\$ 1,896,596</u>

From the above table, \$1,230,856 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as follows:

<u>Year ended September 30,</u>	<u>Amount</u>
2018	\$ 638,703
2019	1,122,062
2020	425,033
2021	<u>(96,758)</u>
Total	<u>\$ 2,089,040</u>

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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*Actuarial Assumptions*

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

Additional information as of the latest actual valuation follows:

*Summary of Actuarial Assumptions*

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	7.5%
Pension Plus Plan:	7.0%
Projected Salary Increases:	3.5-12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

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

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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

### *Long-Term Expected Rate of Return on Investments*

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

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.6%
Alternative Investment Pools	18.0	8.7
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate & Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
Total	<u>100.0%</u>	

*\*Long-term rate of return does not include 2.3% inflation.*

### *Rate of Return*

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

### *Discount Rate*

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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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.

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

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

1% Decrease (Non-Hybrid/Hybrid) (6.5% / 6.0%)	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) (7.5% / 7.0%)	1% Increase (Non-Hybrid/Hybrid) (8.5% / 8.0%)
\$ 40,058,589	\$ 30,751,203	\$ 22,914,977

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

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

***Payables to the Michigan Public Schools Employees' Retirement System ("MPERS")***

The School District reported \$206,435 and \$4,213 payable to the plan at June 30, 2018 for legally required defined benefit and defined contribution plan contributions, respectively.

**D. Post-employment benefits other than pensions (OPEB)**

***Plan Description***

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

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## NOTES TO THE FINANCIAL STATEMENTS

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appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

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

### ***Benefits Provided***

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable,

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

*Contributions*

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

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

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

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

Required contributions to the OPEB plan from the School District were \$925,378 for the year ended September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$10,525,650 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the systems during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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School District's proportion was 0.001189 percent, which unchanged from its proportion measured as of October 1, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$704,946. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 112,067
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	243,776
Changes in proportion and differences between School District contributions and proportionate share of contributions	4,074	-
School District contributions subsequent to the measurement date	<u>538,265</u>	<u>-</u>
 Total	 <u>\$ 542,339</u>	 <u>\$ 355,843</u>

From the above table, \$538,265 contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB 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

<u>Year ended September 30,</u>	<u>Amount</u>
2018	(85,079)
2019	(85,079)
2020	(85,079)
2021	(85,079)
2022	<u>(11,453)</u>
Total	<u>(351,769)</u>

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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### *Actuarial Assumptions*

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

Additional information as of the latest actuarial valuation follows:

### Summary of Actuarial Assumptions

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5-12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

### Other Assumptions

Opt Out 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 coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744 for non-university employers
- Recognition period for assets in years is 5.0
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report ([www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)).

***Long-Term Expected Rate of Return on Investments***

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate & Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
 Total	 <u>100.0%</u>	

*\*Long-term rate of return does not include 2.3% inflation*

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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***Rate of Return***

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

***Discount Rate***

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

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

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

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ 12,328,578	\$ 10,525,650	\$ 8,995,528

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

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

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ 8,913,811	\$ 10,525,650	\$ 12,355,781

***OPEB Plan Fiduciary Net Position***

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

***Payables to the OPEB Plan***

The School District reported \$78,783 payable to the Plan at June 30, 2018 for the OPEB liability.

**E. Contingencies**

**Federal Grant Programs**

The District participates in Federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

**Collectively Bargained Employment Agreements**

The professional instructional employees of the District are organized under the Charlevoix-Emmet Intermediate Education Association. The Board of Education and the Charlevoix-Emmet Intermediate Education Association have a contract through August 31, 2020.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CHARLEVOIX - EMMET INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

Michigan Public School Employees Retirement Plan

	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
District's proportion of collective net pension liability	0.00118665%	0.00119831%	0.00118779%	0.00116370%
District's proportionate share of net pension liability	\$ 30,751,203	\$ 29,896,891	\$ 29,011,915	\$ 25,632,158
District's covered-employee payroll	9,887,947	10,159,088	9,896,582	9,898,954
District's proportionate share of net pension liability as a percentage of covered-employee payroll	311.00%	294.29%	293.15%	258.94%
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%

**SCHEDULE OF SCHOOL DISTRICT'S DEFINED BENEFIT PENSION CONTRIBUTIONS**

Michigan Public School Employees Retirement Plan

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Statutorily required employer contributions	\$ 2,659,688	\$ 2,327,547	\$ 2,291,410	\$ 2,247,909
District contributions made to the Plan	<u>2,659,688</u>	<u>2,327,547</u>	<u>2,291,410</u>	<u>2,247,909</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,559,412	\$ 9,962,769	\$ 9,717,785	\$ 9,915,099
Contributions as a percentage of covered-employee payroll	27.80%	23.40%	23.60%	22.70%

Change of benefit terms: There were no changes of benefit terms in 2017.

Change of assumptions: There were no changes of benefit assumptions in 2017.

**CHARLEVOIX - EMMET INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY**

Michigan Public School Employees Retirement Plan

	<u>9/30/2017</u>
School District's proportion of collective net OPEB liability	0.001189%
School District's proportionate share of net OPEB liability	\$ 10,525,650
School District's covered-employee payroll (OPEB)	9,887,947
School District's proportionate share of net OPEB liability as a percentage of covered-employee payroll	106.45%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

**SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS**

Michigan Public School Employees Retirement Plan

	<u>6/30/2018</u>
Statutorily required OPEB contributions	\$ 941,717
OPEB contributions in relation to statutorily required contributions	<u>941,717</u>
Contributions deficiency (excess)	<u><u>\$ -</u></u>
School District's covered-employee payroll (OPEB)	\$ 9,559,412
OPEB contributions as a percentage of covered-employee payroll	9.85%

Change of benefit terms: There were no changes of benefit terms in 2017.

Change of assumptions: There were no changes of benefit assumptions in 2017.

**COMBINING FINANCIAL STATEMENTS OF  
NON-MAJOR GOVERNMENTAL FUNDS**

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018**

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	<u>Capital Project Fund</u>	<u>School Lunch Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 47,531	\$ -	\$ 47,531
<b>Fund balances</b>			
Restricted for capital projects	\$ 47,531	\$ -	\$ 47,531

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Capital Project Fund</b>	<b>School Lunch Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Revenues</b>			
<b>Local sources</b>			
Earnings on investments	\$ 1,583	\$ 1	\$ 1,584
<b>Total revenues</b>	<b>1,583</b>	<b>1</b>	<b>1,584</b>
<b>Expenditures</b>			
Food service operations	-	697	697
Capital outlay	73,143	-	73,143
<b>Total expenditures</b>	<b>73,143</b>	<b>697</b>	<b>73,840</b>
<b>Net change in fund balances</b>	<b>(71,560)</b>	<b>(696)</b>	<b>(72,256)</b>
Fund balances, beginning of year	119,091	696	119,787
<b>Fund balances, end of year</b>	<b>\$ 47,531</b>	<b>\$ -</b>	<b>\$ 47,531</b>

**SINGLE AUDIT SECTION**



DENNIS, GARTLAND & NIERGARTH

Certified Public Accountants  
Business Advisors

Thomas E. Gartland, Retired  
Brad P. Niergarth, CPA  
James G. Shumate, CPA  
Robert C. Thompson, CPA  
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Shelly A. Ashmore, CPA  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Charlevoix-Emmet Intermediate School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ***Charlevoix-Emmet Intermediate School District*** (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 9, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dennis, Gartland & Niergarth*

October 9, 2018

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE/GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED AWARD/GRANT AMOUNT	ACCRUED (UNEARNED) REVENUE JULY 1, 2017	(Memo Only) Prior Year Expenditures	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	ACCRUED (UNEARNED) REVENUE JUNE 30, 2018	2017-2018 REVENUE RECORDED	CASH TRANSFERRED TO SUBRECIPIENTS
<b>U.S. DEPARTMENT OF EDUCATION</b>									
<b>Passed through Michigan Department of Education</b>									
Special Education Cluster									
Special Education - Grants to States (IDEA, Part B)									
EOSD, 180480 - EOSD	84.027A	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Part B Flowthrough, 180450-1718	84.027A	2,034,101	-	-	2,034,101	2,034,101	-	2,034,101	15,422
Transition Coordination, 180491 - TC	84.027A	50,000	-	-	50,000	50,000	-	50,000	-
Total Grants to States, IDEA Part B		<u>2,134,101</u>	<u>-</u>	<u>-</u>	<u>2,134,101</u>	<u>2,134,101</u>	<u>-</u>	<u>2,134,101</u>	<u>15,422</u>
Special Education - Preschool Grants (IDEA Preschool)									
Special Education Preschool, 180460 - 1718	84.173A	38,831	-	-	38,831	38,831	-	38,831	-
Total Special Education Cluster		<u>2,172,932</u>	<u>-</u>	<u>-</u>	<u>2,172,932</u>	<u>2,172,932</u>	<u>-</u>	<u>2,172,932</u>	<u>15,422</u>
Grants to Local Education Agencies (Title I, Part A)	84.010A	115,113	3,649	71,591	18,629	22,278	-	18,629	18,947
Special Education - Grants for Infants and Families									
Early On Michigan, 171340-1617	84.181A	84,279	508	84,279	-	508	-	-	-
Early On Michigan, 181340 - 1718	84.181A	81,409	-	-	81,409	81,409	-	81,409	-
Total Special Education - Grants for Infants and Families		<u>165,688</u>	<u>508</u>	<u>84,279</u>	<u>81,409</u>	<u>81,917</u>	<u>-</u>	<u>81,409</u>	<u>-</u>
Race to the Top - Early Learning Challenge									
RTT - Trusted Advisors 144720-1617	84.412A	60,000	-	-	60,000	60,000	-	60,000	7,895
RTT - Trusted Advisors 144720-1617	84.412A	60,000	-	-	8,883	8,747	136	8,883	-
Total Race to the Top - Early Learning Challenge		<u>120,000</u>	<u>-</u>	<u>-</u>	<u>68,883</u>	<u>68,747</u>	<u>136</u>	<u>68,883</u>	<u>7,895</u>
Total passed through Michigan Department of Education		<u>2,573,733</u>	<u>4,157</u>	<u>155,870</u>	<u>2,341,853</u>	<u>2,345,874</u>	<u>136</u>	<u>2,341,853</u>	<u>42,264</u>
Passed through Wexford-Missaukee ISD									
Career and Technical Education - Basic Grants to States (Perkins IV)									
Vocational Education, CTE Perkins 183520-18125	84.048A	119,534	-	-	119,534	119,534	-	119,534	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<u><b>2,693,267</b></u>	<u><b>4,157</b></u>	<u><b>155,870</b></u>	<u><b>2,461,387</b></u>	<u><b>2,465,408</b></u>	<u><b>136</b></u>	<u><b>2,461,387</b></u>	<u><b>42,264</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>									
Passed Through Northwest Michigan Community Action Agency									
Headstart									
Early Headstart 17-18	93.600	22,613	-	-	22,613	22,613	-	22,613	-
Passed through Michigan Department of Public Health									
Medicaid Cluster									
Medical Assistance Program (Medicaid)									
Medicaid Administrative Outreach	93.778	10,110	22,196	22,480	10,110	32,306	-	10,110	10,191
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<u><b>32,723</b></u>	<u><b>22,196</b></u>	<u><b>22,480</b></u>	<u><b>32,723</b></u>	<u><b>54,919</b></u>	<u><b>-</b></u>	<u><b>32,723</b></u>	<u><b>10,191</b></u>

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE/GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED AWARD/GRANT AMOUNT	ACCRUED (UNEARNED) REVENUE JULY 1, 2017	(Memo Only) Prior Year Expenditures	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	ACCRUED (UNEARNED) REVENUE JUNE 30, 2018	2017-2018 REVENUE RECORDED	CASH TRANSFERRED TO SUBRECIPIENTS
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>									
Passed Through Michigan Community Service Commission									
Americorps									
Michigan Americorps, MACF17-15351, 2016-2017	94.006	\$ 88,582	\$ 4,534	\$ 88,582	\$ -	\$ 4,534	\$ -	\$ -	\$ -
Michigan Americorps, MACF16-15351, 2015-2016	94.006	53,029	-	-	53,029	49,502	3,527	53,029	-
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>		<b>141,611</b>	<b>4,534</b>	<b>88,582</b>	<b>53,029</b>	<b>54,036</b>	<b>3,527</b>	<b>53,029</b>	<b>-</b>
<b>EARLY CHILDHOOD INVESTMENT CORPORATION</b>									
Passed Through Early Childhood Investment Corporation									
477 Cluster									
Child Care and Development Block Grant									
Great Start to Quality Resource Center - Northwest Resource Center									
Great Start to Quality Resource Centers 2016-17	93.575	514,500	92,286	376,714	137,611	229,897	-	137,611	-
Great Start to Quality Resource Centers 2017-18	93.575	477,912	-	-	334,803	223,073	111,730	334,803	-
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>		<b>992,412</b>	<b>92,286</b>	<b>376,714</b>	<b>472,414</b>	<b>452,970</b>	<b>111,730</b>	<b>472,414</b>	<b>-</b>
<b>TOTAL FEDERAL AWARDS</b>		<b>\$ 3,860,013</b>	<b>\$ 123,173</b>	<b>\$ 643,646</b>	<b>\$ 3,019,553</b>	<b>\$ 3,027,333</b>	<b>\$ 115,393</b>	<b>\$ 3,019,553</b>	<b>\$ 52,455</b>

**Notes to Schedule of Expenditures of Federal Awards**

1. The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the general purpose financial statements.
2. Management has utilized the Grant Auditor Report in preparing the Schedule of Federal Awards.
3. The District did not use the 10% de-minimus cost rate under the Uniform Administrative Requirements.



DENNIS, GARTLAND & NIERGARTH

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education  
Charlevoix-Emmet Intermediate School District

### **Report on Compliance for Each Major Federal Program**

We have audited the *Charlevoix-Emmet Intermediate School District* (the "School District") on compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major Federal programs for the year ended June 30, 2018. The School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

**Report on Internal Control Over Compliance**

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

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

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

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

*Dennis, Gartland & Niergarth*

October 9, 2018

**CHARLEVOIX- EMMET INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of Auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Program</u>
84.027 and 84.173 93.575	Special Education Cluster Child Care and Development Block Grant

Dollar threshold to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low risk auditee?	Yes

**CHARLEVOIX- EMMET INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

No financial statement findings are reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No Federal award findings or questioned costs are reported.

**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

No Federal award findings or questioned costs were reported in the prior year.

**CHARLEVOIX - EMMET INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**PROVIDED TO SUBRECIPIENTS**  
**For the fiscal year ended June 30, 2018**

Program Title/Grant Number Subrecipient Name	Federal CFDA Number	Subrecipient Award/Contract Amount	Due to (from) Subrecipient July 1, 2017	Subrecipient Current Year Expenditures	Current Year Cash Transferred To Subrecipient	Due to (from) Subrecipient June 30, 2018
<b>Special Education - Grants to States (IDEA, Part B)</b>	84.027A					
Passed through to						
Boyer Falls Public Schools		\$ 6,635	\$ -	\$ 6,635	\$ 6,635	\$ -
East Jordan Public Schools		8,787	-	8,787	8,787	-
Total Grants to States		15,422	-	15,422	15,422	-
<b>Grants to Local Education Agencies (Title I, Part A)</b>	84.010A		-			
Passed through to						
Beaver Island Community Schools		13,641	-	13,641	13,641	-
Ellsworth Community Schools		5,306	-	5,306	5,306	-
Total Grants to Local Education Agencies		18,947	-	18,947	18,947	-
<b>Race to the Top - Early Learning Challenge</b>	84.412A		-			
Passed through to						
Beaver Island Community Schools		784	-	784	784	-
Boyer Falls Public Schools		6,761	-	6,761	6,761	-
Pellston Public Schools		350	-	350	350	-
Total Race to the Top - Early Learning Challenge		7,895	-	7,895	7,895	-
<b>Medical Assistance Program (Medicaid)</b>	93.778					
Passed through to						
Alanson Public Schools		217	-	217	217	-
Boyer City Public Schools		1,310	-	1,310	1,310	-
Boyer Falls Public Schools		341	-	341	341	-
Central Lake Public Schools		510	-	510	510	-
Charlevoix Montessori Academy of Arts		99	-	99	99	-
Charlevoix Public Schools		1,151	-	1,151	1,151	-
Concord Academy - Petoskey		106	-	106	106	-
East Jordan Public Schools		1,052	-	1,052	1,052	-
Ellsworth Community Schools		281	-	281	281	-
Harbor Springs Public Schools		1,631	-	1,631	1,631	-
Pellston Public Schools		489	-	489	489	-
Public Schools of Petoskey		3,004	-	3,004	3,004	-
Total Medicaid Administrative Outreach		10,191	-	10,191	10,191	-
<b>Total Federal Funds Passed Through</b>		<b>\$ 52,455</b>	<b>\$ -</b>	<b>\$ 52,455</b>	<b>\$ 52,455</b>	<b>\$ -</b>