

Ionia County Intermediate School District

Financial Statements

June 30, 2016

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Ionia County Intermediate School District
Members of the Board of Education and Administration
June 30, 2016

Members of the Board of Education

Allen MacDonald – President

Bruce Lincoln – Vice President

S. Tutt Gorman – Secretary

Brian Talbot – Treasurer

Linda Hoxie-Green – Trustee

Administration

Jason Mellema – Superintendent

Jamie Carnes – Director of Fiscal Services



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Independent Auditors' Report

Management and the Board of Education
Ionia County Intermediate School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ionia County Intermediate School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ionia County Intermediate School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the School District adopted GASB Statements No. 72, 76, 79, and 82, *Fair Value Measurement and Application*, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, *Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ionia County Intermediate School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016 on our consideration of the Ionia County Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Ionia County Intermediate School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
October 17, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ionia County Intermediate School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

The management's discussion and analysis section of Ionia County Intermediate School District's (District) annual financial report provides the district's evaluation of its own financial performance during the year ended June 30, 2016. Management's discussion and analysis should be read in conjunction with the district's financial statements immediately following this section.

Using this Annual Report

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

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

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

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

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

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

Ionia County Intermediate School District Management's Discussion and Analysis For the Year Ended June 30, 2016

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

Effective for the year ended June 30, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This new accounting standard requires school district employers to report their portion of the long term obligation of pension benefits as a liability. This liability has been recorded along with deferred outflows and inflows of resources associated with this pension liability in the statement of net position.

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

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

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

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

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

Ionia County Intermediate School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

The School District as a Whole

Recall that the statement of net position provides an overall perspective for the District's financial position. Table 1 provides a summary of the statement of net position as of June 30, 2015 and 2016:

| Table 1 | <u>2015</u> | <u>2016</u> |
|--|-----------------------|-----------------------|
| Assets | | |
| Current and other assets | \$7,542,147 | \$8,400,525 |
| Capital assets, net of depreciation | 3,521,787 | 3,323,809 |
| Total assets | 11,063,934 | 11,724,334 |
| Deferred Outflows of Resources | | |
| | 3,826,184 | 5,150,629 |
| Total assets and deferred outflows of resources | 14,890,118 | 16,874,963 |
| Liabilities | | |
| Current liabilities | 4,423,210 | 4,248,014 |
| Non-current liabilities | 34,169,112 | 38,314,379 |
| Total liabilities | 38,592,322 | 42,562,393 |
| Deferred Inflows of Resources | | |
| | 3,672,819 | 1,079,999 |
| Total liabilities and deferred outflows of resources | 42,265,141 | 43,642,392 |
| Net Position | | |
| Net investment in capital assets | 2,911,667 | 2,861,649 |
| Restricted | 2,924,115 | 771 |
| Unrestricted (deficit) | (33,210,805) | (29,629,849) |
| Total net position | <u>(\$27,375,023)</u> | <u>(\$26,767,429)</u> |

The net position of the District on June 30, 2015 and 2016 was (\$27,375,023) and (\$26,767,429), respectively. \$2,861,649 of the District's net position is reflected as net investment in capital assets. The District uses capital assets to provide services and these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Most of the

**Ionia County Intermediate School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

debt will be repaid from money available from general operations. The unrestricted deficit (\$29,629,849) is directly attributable to the net pension liability of record for the current year.

The results of this year's operations as a whole are reported in the statement of activities, which reflects the changes in net position for fiscal years 2015 and 2016. Table 2 below summarizes the statement of activities:

| Table 2 | <u>2015</u> | <u>2016</u> |
|--------------------------------------|-------------------|-------------------|
| Revenues | | |
| Program revenue: | | |
| Charges for services | \$1,282 | \$1,025 |
| Operating grants and contributions | 15,866,548 | 16,352,899 |
| General revenue: | | |
| Property taxes | 8,791,559 | 9,073,999 |
| State aid – unrestricted | 462,947 | 462,498 |
| Other | 8,586 | 11,373 |
| Total revenues | <u>25,130,922</u> | <u>25,901,794</u> |
| Function/Program Expenses | | |
| Instruction | 9,405,577 | 9,263,565 |
| Supporting services | 14,189,970 | 14,041,488 |
| Food service | 1,052 | 12,053 |
| Community services | 288,877 | 310,375 |
| Interdistrict payments | 1,272,568 | 1,646,849 |
| Interest on long-term debt | 23,653 | 19,870 |
| Total function/program expenses | <u>25,181,697</u> | <u>25,294,200</u> |
| Change in net position | <u>(\$50,775)</u> | <u>\$607,594</u> |

As reported in the statement of activities, the cost of all governmental activities this year totaled \$25,294,200, an increase of \$112,503 from last year. The District's revenue increased \$770,872 from last year, with \$282,440 coming from an increase in tax collections and another \$486,351 coming from grants or restricted revenues. Overall, the District experienced an increase in net position of \$607,594 in the current year.

**Ionia County Intermediate School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

The School District's Funds

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

As the District completed the 2015-2016 year, governmental funds reported a combined fund balance of \$4,155,229, which is an increase of \$1,057,990 from the prior year. The General Fund, Special Education Fund and Vocational Education Fund all experienced increases in their fund balance during 2015-2016. The increases were due to an increase in tax collections, a few one-time state aid adjustments, and the close monitoring of expenses to ensure the district was spending funds on needs of the organization versus wants of the organization. The General Fund increased by \$83,290, the Special Education Fund increased by \$809,156 and the Vocational Education Fund increased by \$7,167.

Budgetary Highlights

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

The following changes occurred in the District's financial operations when comparing actual financial performance to the final budget projections for 2015-2016. Actual revenues were lower than final budget projections in the General Fund (\$38,815 or 1.19%). General Fund revenues varied mainly due to grant funds that were awarded but not expended during 2015-2016. Special Education Fund revenues were slightly lower than projected (\$2,960 or 0.01%). Vocational Education revenues were higher by (\$28,032 or 1.36%) due to a one-time adjustment in state funds.

Actual expenditures were lower than final budget projections in the General Fund and Special Education Fund and higher in the Vocational Education Fund for the 2015-2016 year. General Fund expenditures were lower by (\$48,510 or 1.32%) and Special Education Fund by (\$384,949 or 1.91%).

Capital Asset and Debt Administration

Capital Assets

At June 30, 2015 and 2016, the District had \$3,521,787 and \$3,323,809, respectively, (net of depreciation), invested in a broad range of capital assets, including land, buildings and improvements, equipment and buses and other vehicles. Further detail is included the notes to the financial statements.

**Ionia County Intermediate School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

Debt

At June 30, 2015 and 2016, the District had \$946,084 and \$810,087, respectively, in long-term debt. The debt consisted of the following:

| Debt | 2015 | 2016 |
|-----------------------------|------------------|------------------|
| Government obligation bonds | \$505,000 | \$410,000 |
| Capital lease | 105,120 | 52,160 |
| Compensated absences | 335,964 | 347,927 |
| Total | <u>\$946,084</u> | <u>\$810,087</u> |

Economic Factors and Next Year's Budget

The District relies on three main sources of revenue: property taxes, state funding and federal grants. Each of these sources are experiencing financial pressures that may challenge the District's financial position during 2015-2016 and beyond. With rightsizing staff and working towards decreasing expenses in other areas, funds available to the District are expected to remain steady or increase slightly during the 2016-2017 fiscal year.

Property taxes have historically remained a relatively stable source of revenues, annually increasing near the rate of inflation. The District has fortunately been able to avoid the large property tax valuation declines that many other areas of the state and nation have experienced; however, property tax valuations have decreased over the last few years. The loss of property tax revenue will create continuing budget and fiscal challenges in future years for the District, as property valuations are not expected to recover in the immediate future. Additional property tax revenue from planned commercial development is expected to be offset by reductions in categorical grant funds currently received from the State. The district will need to plan accordingly to be able to effectively operate in a declining revenue environment

The District, along with other Michigan school districts, will be faced with significant budget challenges in the next several years as the State of Michigan continues to struggle to determine an effective method to provide adequate funding to public education. Legislative changes that significantly change the State tax structure continue to be reviewed and considered. How these changes impact Michigan school districts remains to be seen. Districts must continue to provide quality educational services to their students while effectively managing their resources within the ever changing financial landscape in Michigan education.

Request for Information

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

BASIC FINANCIAL STATEMENTS

Ionia County Intermediate School District
Statement of Net Position
June 30, 2016

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash | \$ 5,253,789 |
| Accounts receivable | 35 |
| Due from other governmental units | 3,091,596 |
| Inventory | 3,380 |
| Prepaid items | 51,725 |
| Capital assets not being depreciated | 89,336 |
| Capital assets - net of accumulated depreciation | 3,234,473 |
| Total assets | 11,724,334 |
| Deferred Outflows of Resources | |
| Deferred amount relating to net pension liability | 5,150,629 |
| Total assets and deferred outflows of resources | 16,874,963 |
| Liabilities | |
| Accounts payable | 182,286 |
| State aid anticipation note payable | 600,000 |
| Due to other governmental units | 1,401,673 |
| Payroll deductions and withholdings | 164,212 |
| Accrued expenditures | 8,579 |
| Accrued salaries payable | 880,944 |
| Unearned revenue | 1,010,320 |
| Noncurrent liabilities | |
| Net pension liability | 37,504,292 |
| Debt due within one year | 152,160 |
| Debt due in more than one year | 657,927 |
| Total liabilities | 42,562,393 |
| Deferred Inflows of Resources | |
| Deferred amount relating to net pension liability | 1,079,999 |
| Total liabilities and deferred inflows of resources | 43,642,392 |

See Accompanying Notes to the Financial Statements

Ionia County Intermediate School District
Statement of Net Position
June 30, 2016

| | <u>Governmental Activities</u> |
|----------------------------------|------------------------------------|
| Net Position | |
| Net investment in capital assets | \$ 2,861,649 |
| Restricted for | |
| Food service | 771 |
| Unrestricted (deficit) | <u>(29,629,849)</u> |
| Total net position | <u>\$ (26,767,429)</u> |

See Accompanying Notes to the Financial Statements

Ionia County Intermediate School District
Statement of Activities
For the Year Ended June 30, 2016

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|----------------------------------|----------------------|-------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions |
| Functions/Programs | | | | | |
| Governmental activities | | | | | |
| Instruction | \$ 9,263,565 | \$ - | \$ 7,114,232 | \$ - | \$ (2,149,333) |
| Supporting services | 14,041,488 | - | 9,236,482 | - | (4,805,006) |
| Food services | 12,053 | - | 2,185 | - | (9,868) |
| Community services | 310,375 | 1,025 | - | - | (309,350) |
| Interdistrict payments | 1,646,849 | - | - | - | (1,646,849) |
| Interest on long-term debt | 19,870 | - | - | - | (19,870) |
| Total governmental activities | <u>\$ 25,294,200</u> | <u>\$ 1,025</u> | <u>\$ 16,352,899</u> | <u>\$ -</u> | <u>(8,940,276)</u> |
| General revenues | | | | | |
| Property taxes | | | | | 9,073,999 |
| State aid - unrestricted | | | | | 462,498 |
| Interest and investment earnings | | | | | 9,585 |
| Other | | | | | 1,788 |
| Total general revenues | | | | | <u>9,547,870</u> |
| Change in net position | | | | | 607,594 |
| Net position - beginning | | | | | <u>(27,375,023)</u> |
| Net position - ending | | | | | <u>\$ (26,767,429)</u> |

See Accompanying Notes to the Financial Statements

Ionia County Intermediate School District
Governmental Funds
Balance Sheet
June 30, 2016

| | General Fund | Special Education Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------------------|---------------------|------------------------------|-----------------------------------|--------------------------------|
| Assets | | | | |
| Cash | \$ 1,450,807 | \$ 3,394,910 | \$ 408,072 | \$ 5,253,789 |
| Accounts receivable | - | - | 35 | 35 |
| Due from other funds | 175,527 | - | - | 175,527 |
| Due from other governmental units | 453,793 | 2,465,164 | 172,639 | 3,091,596 |
| Inventory | - | 3,380 | - | 3,380 |
| Prepaid items | 14,494 | 34,657 | 2,574 | 51,725 |
| | <u>1,450,807</u> | <u>3,394,910</u> | <u>408,072</u> | <u>5,253,789</u> |
| Total assets | <u>\$ 2,094,621</u> | <u>\$ 5,898,111</u> | <u>\$ 583,320</u> | <u>\$ 8,576,052</u> |
| Liabilities | | | | |
| Accounts payable | \$ 39,990 | \$ 125,696 | \$ 16,600 | \$ 182,286 |
| State aid anticipation note payable | 600,000 | - | - | 600,000 |
| Due to other funds | - | 175,341 | 186 | 175,527 |
| Due to other governmental units | 86,648 | 1,220,995 | 94,030 | 1,401,673 |
| Payroll deductions and withholdings | 23,994 | 129,886 | 10,332 | 164,212 |
| Accrued expenditures | 5,861 | - | - | 5,861 |
| Accrued salaries payable | 81,757 | 729,613 | 69,574 | 880,944 |
| Unearned revenue | 976,820 | 33,500 | - | 1,010,320 |
| | <u>976,820</u> | <u>33,500</u> | <u>-</u> | <u>1,010,320</u> |
| Total liabilities | <u>1,815,070</u> | <u>2,415,031</u> | <u>190,722</u> | <u>4,420,823</u> |

See Accompanying Notes to the Financial Statements

**Ionia County Intermediate School District
Governmental Funds
Balance Sheet
June 30, 2016**

| | General Fund | Special Education Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------------------|-----------------|------------------------------|-----------------------------------|--------------------------------|
| Fund Balance | | | | |
| Non-spendable | | | | |
| Inventory | \$ - | \$ 3,380 | \$ - | \$ 3,380 |
| Prepaid items | 14,494 | 34,657 | 2,574 | 51,725 |
| Restricted for | | | | |
| Food service | - | - | 771 | 771 |
| Debt service | - | - | 99 | 99 |
| Special education | - | 3,445,043 | - | 3,445,043 |
| Vocational education | - | - | 231,209 | 231,209 |
| Assigned | | | | |
| Capital projects | - | - | 157,945 | 157,945 |
| Unassigned | 265,057 | - | - | 265,057 |
| | | | | |
| Total fund balance | 279,551 | 3,483,080 | 392,598 | 4,155,229 |
| | | | | |
| Total liabilities and fund balance | \$ 2,094,621 | \$ 5,898,111 | \$ 583,320 | \$ 8,576,052 |

See Accompanying Notes to the Financial Statements

Ionia County Intermediate School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

| | |
|---|--------------------------------------|
| Total fund balances for governmental funds | \$ 4,155,229 |
| Total net position for governmental activities in the statement of net position is different because | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Capital assets not being depreciated | 89,336 |
| Capital assets - net of accumulated depreciation | 3,234,473 |
| Deferred outflows (inflows) of resources | |
| Deferred inflows of resources resulting from net pension liability | (1,079,999) |
| Deferred outflows of resources resulting from net pension liability | 5,150,629 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (2,718) |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. | |
| Compensated absences | (347,927) |
| Bonds payable | (410,000) |
| Other loans payable and liabilities | (52,160) |
| Net pension liability | <u>(37,504,292)</u> |
| Net position of governmental activities | <u><u>\$ (26,767,429)</u></u> |

See Accompanying Notes to the Financial Statements

Ionia County Intermediate School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

| | General Fund | Special Education Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|------------------|------------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | |
| Local sources | \$ 379,026 | \$ 8,481,455 | \$ 1,318,401 | \$ 10,178,882 |
| Non-educational sources | 81,127 | 84,355 | - | 165,482 |
| State sources | 2,092,196 | 6,714,585 | 664,876 | 9,471,657 |
| Federal sources | 93,504 | 2,794,027 | 81,210 | 2,968,741 |
| Interdistrict sources | 579,759 | 2,528,079 | 34,240 | 3,142,078 |
| | <u>3,225,612</u> | <u>20,602,501</u> | <u>2,098,727</u> | <u>25,926,840</u> |
| Total revenues | | | | |
| Expenditures | | | | |
| Instruction | 795,909 | 7,163,430 | 1,058,653 | 9,017,992 |
| Supporting services | 2,242,325 | 10,628,717 | 825,120 | 13,696,162 |
| Food services | - | - | 838 | 838 |
| Community services | 242,594 | 64,850 | - | 307,444 |
| Intergovernmental payments | 237,041 | 1,342,045 | 67,763 | 1,646,849 |
| Capital outlay | 3,823 | 10,528 | 16,754 | 31,105 |
| Debt service | | | | |
| Principal | 52,960 | - | 95,000 | 147,960 |
| Interest and other expenditures | - | - | 20,500 | 20,500 |
| | <u>3,574,652</u> | <u>19,209,570</u> | <u>2,084,628</u> | <u>24,868,850</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over expenditures | <u>(349,040)</u> | <u>1,392,931</u> | <u>14,099</u> | <u>1,057,990</u> |

See Accompanying Notes to the Financial Statements

Ionia County Intermediate School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

| | General Fund | Special Education Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------------------|-------------------|------------------------------|-----------------------------------|--------------------------------|
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ 490,080 | \$ - | \$ 273,445 | \$ 763,525 |
| Transfers out | (57,750) | (583,775) | (122,000) | (763,525) |
| Total other financing sources (uses) | 432,330 | (583,775) | 151,445 | - |
| Net change in fund balance | 83,290 | 809,156 | 165,544 | 1,057,990 |
| Fund balance - beginning | 196,261 | 2,673,924 | 227,054 | 3,097,239 |
| Fund balance - ending | <u>\$ 279,551</u> | <u>\$ 3,483,080</u> | <u>\$ 392,598</u> | <u>\$ 4,155,229</u> |

See Accompanying Notes to the Financial Statements

Ionia County Intermediate School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

| | |
|---|-------------------|
| Net change in fund balances - Total governmental funds | \$ 1,057,990 |
| Total change in net position reported for governmental activities in the statement of activities is different because | |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | |
| Operating grants | (88) |
| Charges for services | (24,958) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Depreciation expense | (207,512) |
| Capital outlay | 9,534 |
| Expenses are recorded when incurred in the statement of activities. | |
| Interest | 630 |
| Compensated absences | (11,963) |
| The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions. | |
| Net change in net pension liability | (4,281,264) |
| Net change in the deferred inflow of resources related to the net pension liability | 4,538,994 |
| Net change between actual pension contributions and the cost of benefits earned net of employee contributions | (621,729) |
| Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities. | |
| Repayments of long-term debt | 147,960 |
| Change in net position of governmental activities | \$ 607,594 |

See Accompanying Notes to the Financial Statements

Ionia County Intermediate School District
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

| | <u>Agency Funds</u> |
|-------------------------------|-------------------------|
| Assets | |
| Cash | <u>\$ 59,499</u> |
| Liabilities | |
| Accounts payable | \$ 1,736 |
| Due to agency fund activities | <u>57,763</u> |
| Total liabilities | <u>\$ 59,499</u> |

See Accompanying Notes to the Financial Statements

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

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

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

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

The School District reports the following major governmental funds:

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

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

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund and the Vocational Education Fund. Operating deficits generated by these activities are covered by a transfer from the General Fund.

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

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

Assets, Liabilities and Net Position or Equity

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

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

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2016, the rates are as follows per \$1,000 of assessed value.

| | |
|---------------------------|--------|
| General Fund | 0.1319 |
| Special Education Fund | 4.3409 |
| Vocational Education Fund | 1.0000 |

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

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

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

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

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

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000 and an estimated useful life in excess of five years. Costs of normal repair and maintenance that do

not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets.

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

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

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

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

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

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

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

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

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

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension

liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

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

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

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

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

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurement and Application*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value. Statement 72 is effective for the year ending June 30, 2016.

GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

GASB No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

GASB No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

Upcoming Accounting and Reporting Changes

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It

also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

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

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

| Function | Final Budget | Amount of Expenditures | Budget Variances |
|-------------------------------|--------------|------------------------|------------------|
| General Fund | | | |
| Added needs | \$ 64,351 | \$ 64,437 | \$ 86 |
| Pupil transportation services | 82,506 | 82,645 | 139 |
| Capital outlay | 2,603 | 3,823 | 1,220 |
| Special Education Fund | | | |
| School administration | 207,493 | 209,572 | 2,079 |
| Community services | 8,277 | 64,850 | 56,573 |
| Food Service Fund | | | |
| Food services | - | 1,753 | 1,753 |

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$29,629,849 as of June 30, 2016. There are no governmental funds with a deficit.

Note 3 - Deposits

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

| | Governmental Activities | Fiduciary Funds | Total Primary Government |
|------|-------------------------|------------------|--------------------------|
| Cash | <u>\$ 5,253,789</u> | <u>\$ 59,499</u> | <u>\$ 5,313,288</u> |

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

| | |
|---|----------------------------|
| Deposits (checking, savings accounts, money markets, certificates of deposit) | \$ 5,237,475 |
| Investments in securities, mutual funds, and similar vehicles | 75,538 |
| Petty cash and cash on hand | <u>275</u> |
| Total | <u><u>\$ 5,313,288</u></u> |

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

| Investment | Fair Value | Maturities | Rating |
|-------------------|------------------|------------|--------|
| MILAF + MAX Class | <u>\$ 75,538</u> | 6 months | AAAm |

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

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

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

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$5,373,538 of the School District’s bank balance of \$5,623,538 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s policy for custodial credit risk states custodial credit risk will

be minimized by limiting investments to the types of securities allowed by state law. As of year-end, none of the School District’s investments were exposed to custodial credit risk.

Note 4 - Fair Value Measurements

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

The School District has the following recurring fair value measurements as of June 30, 2016:

Amounts invested in MILAF + Portfolio of \$75,538. The MILAF + Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs)

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

Note 5 - Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-----------|-------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 89,336 | \$ - | \$ - | \$ 89,336 |
| Capital assets being depreciated | | | | |
| Buildings and additions | 4,473,066 | - | - | 4,473,066 |
| Equipment and furniture | 952,143 | - | - | 952,143 |
| Buses and other vehicles | 224,278 | 9,534 | - | 233,812 |
| Total capital assets being depreciated | 5,649,487 | 9,534 | - | 5,659,021 |
| Less accumulated depreciation for | | | | |
| Buildings and additions | 1,442,811 | 97,395 | - | 1,540,206 |
| Equipment and furniture | 630,343 | 90,573 | - | 720,916 |
| Buses and other vehicles | 143,882 | 19,544 | - | 163,426 |
| Total accumulated depreciation | 2,217,036 | 207,512 | - | 2,424,548 |
| Net capital assets being depreciated | 3,432,451 | (197,978) | - | 3,234,473 |
| Net capital assets | \$ 3,521,787 | \$ (197,978) | \$ - | \$ 3,323,809 |

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

| | |
|--------------------------------|-------------------|
| Governmental activities | |
| Instruction | \$ 81,283 |
| Supporting services | 123,450 |
| Food services | 8 |
| Community services | 2,771 |
| Total governmental activities | <u>\$ 207,512</u> |

Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

| Due From Fund | Due to Fund | Amount |
|-----------------------------|--------------|-------------------|
| Special Education Fund | General Fund | \$ 175,341 |
| Nonmajor Governmental Funds | General Fund | 186 |
| | | <u>\$ 175,527</u> |

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

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

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

Interfund transfers consist of the following:

| | Transfers Out | | | Total |
|-----------------------------|------------------|------------------------------|-----------------------------------|-------------------|
| | General Fund | Special Education Fund | Nonmajor Governmental Funds | |
| Transfers in | | | | |
| General Fund | \$ - | \$ 428,080 | \$ 62,000 | \$ 490,080 |
| Nonmajor governmental funds | 57,750 | 155,695 | 60,000 | 273,445 |
| | <u>\$ 57,750</u> | <u>\$ 583,775</u> | <u>\$ 122,000</u> | <u>\$ 763,525</u> |

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

Note 7 - Unearned Revenue

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

| | |
|---|---------------------|
| Grant and categorical aid payments received prior to meeting all eligibility requirements | <u>\$ 1,010,320</u> |
|---|---------------------|

Note 8 - Leases

Capital Lease

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

| | |
|-------------------------------------|------------------|
| Year ending June 30, 2017 | <u>\$ 52,160</u> |
|-------------------------------------|------------------|

The assets acquire through capital leases are as follows:

| Assets | |
|-------------------------------|--------------------------|
| Equipment and furniture | \$ 264,800 |
| Less accumulated depreciation | <u>(158,880)</u> |
| Total | <u><u>\$ 105,920</u></u> |

Note 9 - Long-Term Debt

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

Long-term obligation activity is summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due Within One Year |
|-----------------------------|----------------------|------------------|-------------------|-------------------|----------------------------------|
| Government obligation bonds | \$ 505,000 | \$ - | \$ 95,000 | \$ 410,000 | \$ 100,000 |
| Capital lease | 105,120 | - | 52,960 | 52,160 | 52,160 |
| Compensated absences | 335,964 | 11,963 | - | 347,927 | - |
| Total | <u>\$ 946,084</u> | <u>\$ 11,963</u> | <u>\$ 147,960</u> | <u>\$ 810,087</u> | <u>\$ 152,160</u> |

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

Ionia County Intermediate School District
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General obligation bonds payable at year end, consist of the following:

\$975,000 serial bond due in annual installments of \$100,000 to
 \$105,000 through May 1, 2020, interest at 4% \$ 410,000

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|-------------------|------------------|-------------------|
| 2017 | \$ 100,000 | \$ 16,400 | \$ 116,400 |
| 2018 | 100,000 | 12,400 | 112,400 |
| 2019 | 105,000 | 8,400 | 113,400 |
| 2020 | 105,000 | 4,200 | 109,200 |
| Total | <u>\$ 410,000</u> | <u>\$ 41,400</u> | <u>\$ 451,400</u> |

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

Interest expenditures for the fiscal year were \$20,500.

Compensated Absences

Vacation days are accumulated at variable rates for administrative employees and other full time employees. The School District's policy allows employees to accumulate vacation days earned and carry the accumulation for an indefinite period of time into the future. Amounts accumulated are to be paid to the employee and recognized as an expense when vacation days are actually taken. The vacation pay liability at year end is \$54,285. The vacation pay liability is reflected in the District-wide financial statements.

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

upon termination are included. The sick leave pay liability at year end is \$293,642.

Note 10 - Risk Management

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

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$4,548 of unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 11 - Pension Plans and Post-Employment Benefits

Organization

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.

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided

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

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

Contributions and Funding Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this

method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the plan's 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

| Pension Contribution Rates | | |
|----------------------------|------------|----------------|
| Benefit Structure | Member | Employer |
| Basic | 0.0 - 4.0% | 22.52 - 23.07% |
| Member Investment Plan | 3.0 - 7.0 | 22.52 - 23.07 |
| Pension Plus | 3.0 - 6.4 | 21.99 |
| Defined Contribution | 0.0 | 17.72 - 18.76 |

Required contributions to the pension plan from the School District were \$2,962,152 for the year ending September 30, 2015.

Net Pension Liability

June 30, 2016, the School District reported a liability of \$37,504,292 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2015, the School District's proportionate share percent was 0.1535 percent, which was an increase of 0.0027 percent since the prior measurement date.

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

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

For the year ended June 30, 2016, the School District recognized total pension expense of \$3,466,570. The School District's actual contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$2,309,400, \$3,043,810, and \$2,249,400, respectively.

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ - | \$ 124,225 |
| Changes in assumptions | 923,435 | - |
| Net difference between projected and actual earnings on pension plan investments | 191,429 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,102,135 | - |
| Employer contributions subsequent to the measurement date | 2,933,630 | 955,774 |
| | <u>\$ 5,150,629</u> | <u>\$ 1,079,999</u> |

\$2,933,630 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. \$955,774 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30,

2017 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Plan Year Ending September 30 | Amount |
|-------------------------------|---------------------|
| 2016 | \$ 401,895 |
| 2017 | 401,895 |
| 2018 | 351,792 |
| 2019 | 937,192 |
| | <u>\$ 2,092,774</u> |

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2014
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

- Healthcare Cost Trend Rate: 8.5% 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.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.7158 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return* |
|--------------------------------------|-------------------|---|
| Domestic Equity Pools | 28.00% | 5.9% |
| Alternative Investment Pools | 18.00% | 9.2% |
| International Equity | 16.00% | 7.2% |
| Fixed Income Pools | 10.50% | 0.9% |
| Real Estate and Infrastructure Pools | 10.00% | 4.3% |
| Absolute Return Pools | 15.50% | 6.0% |
| Short Term Investment Pools | 2.00% | 0.0% |
| | 100.00% | |

*

Long term rate of return does not include 2.1% inflation

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

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

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus 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)* 7.0% / 6.0% | Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0% | 1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0% |
|--|---|--|
| \$ 48,352,646 | \$ 37,504,292 | \$ 28,358,685 |

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

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2015 MPSERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan

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

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2015 through September 30, 2015, and October 1, 2015 through June 30, 2016, the employer contribution rate ranged from 2.20% to 2.71% and 6.40% to 6.83%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$297,200, \$428,500, and \$911,600, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2016, the School District had contributions in the amount of \$1,471,554 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 10.53% for the year ending June 30, 2016.

Ionia County Intermediate School District
Notes to the Financial Statements
June 30, 2016

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year ended June 30, 2016.

The Michigan Education Association (MEA) filed a grievance and demand for arbitration over discipline received by an employee. The School District responded by filing an unfair labor practice charge with the Michigan Employment Relations Commission (MERC) seeking to dismiss the arbitration based upon the prohibited status of the subject matter. The School District was victorious at MERC. The MEA has since appealed MERC's decision to the Court of Appeals. It is unclear what the likelihood of an unfavorable outcome is or what an estimate of the amount or range of potential loss would be.

The MEA, on behalf of an employee, has sought arbitration of the employee's discharge for misconduct. The matter is currently in arbitration, and it is unclear what the likelihood of an unfavorable outcome is or what an estimate of the amount or range of potential loss would be.

Note 13 - Subsequent Event

Subsequent to June 30, 2016, the School District has paid the balance of \$600,000 and accrued interest on the short-term state aid anticipation note borrowed in August of 2015.

Subsequent to June 30, 2016, the School District entered into a lease for a new phone system. Annual payments will be \$47,033 for 5 years with total payments equaling \$235,165. No interest is being charged, and the final payment is due August 15, 2020. Another school district is sharing in the cost of this lease, and will be reimbursing the School District approximately \$29,000 annually.

REQUIRED SUPPLEMENTARY INFORMATION

Ionia County Intermediate School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Over (Under) Budget</u> |
|-------------------------------|-------------------------|------------------|------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Local sources | \$ 376,500 | \$ 393,255 | \$ 379,026 | \$ (14,229) |
| Non-educational sources | 138,354 | 74,100 | 81,127 | 7,027 |
| State sources | 1,746,092 | 2,119,953 | 2,092,196 | (27,757) |
| Federal sources | 105,222 | 96,901 | 93,504 | (3,397) |
| Interdistrict sources | 712,100 | 580,218 | 579,759 | (459) |
| | <u>3,078,268</u> | <u>3,264,427</u> | <u>3,225,612</u> | <u>(38,815)</u> |
| Expenditures | | | | |
| Instruction | | | | |
| Basic programs | 885,514 | 736,906 | 731,472 | (5,434) |
| Added needs | 59,632 | 64,351 | 64,437 | 86 |
| Supporting services | | | | |
| Pupil | 271,284 | 226,708 | 221,667 | (5,041) |
| Instructional staff | 563,421 | 571,621 | 558,776 | (12,845) |
| General administration | 196,390 | 197,986 | 193,408 | (4,578) |
| Business | 656,491 | 671,937 | 667,566 | (4,371) |
| Operations and maintenance | 138,315 | 89,819 | 85,458 | (4,361) |
| Pupil transportation services | 64,605 | 82,506 | 82,645 | 139 |
| Central | 510,981 | 438,104 | 432,805 | (5,299) |
| Community services | 313,145 | 247,598 | 242,594 | (5,004) |
| Intergovernmental payments | 223,040 | 240,063 | 237,041 | (3,022) |
| Capital outlay | 27,668 | 2,603 | 3,823 | 1,220 |

Ionia County Intermediate School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Over (Under) Budget</u> |
|--|----------------------------|--------------------------|--------------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Debt service | | | | |
| Principal | \$ - | \$ 52,960 | \$ 52,960 | \$ - |
| Total expenditures | <u>3,910,486</u> | <u>3,623,162</u> | <u>3,574,652</u> | <u>(48,510)</u> |
| Deficiency of revenues over expenditures | <u>(832,218)</u> | <u>(358,735)</u> | <u>(349,040)</u> | <u>9,695</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 488,500 | 495,552 | 490,080 | (5,472) |
| Transfers out | <u>(57,050)</u> | <u>(57,750)</u> | <u>(57,750)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>431,450</u> | <u>437,802</u> | <u>432,330</u> | <u>(5,472)</u> |
| Net change in fund balance | (400,768) | 79,067 | 83,290 | 4,223 |
| Fund balance - beginning | <u>196,261</u> | <u>196,261</u> | <u>196,261</u> | <u>-</u> |
| Fund balance - ending | <u><u>\$ (204,507)</u></u> | <u><u>\$ 275,328</u></u> | <u><u>\$ 279,551</u></u> | <u><u>\$ 4,223</u></u> |

Ionia County Intermediate School District
Required Supplementary Information
Budgetary Comparison Schedule - Special Education Fund
For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual | Over (Under) Budget |
|---|------------------|--------------|--------------|---------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Local sources | \$ 8,343,902 | \$ 8,514,991 | \$ 8,481,455 | \$ (33,536) |
| Non-educational sources | 45,000 | 54,000 | 84,355 | 30,355 |
| State sources | 5,717,000 | 6,695,658 | 6,714,585 | 18,927 |
| Federal sources | 2,751,290 | 2,809,163 | 2,794,027 | (15,136) |
| Interdistrict sources | 2,579,500 | 2,531,649 | 2,528,079 | (3,570) |
| Total revenues | 19,436,692 | 20,605,461 | 20,602,501 | (2,960) |
| Expenditures | | | | |
| Instruction | | | | |
| Added needs | 7,435,114 | 7,302,035 | 7,163,430 | (138,605) |
| Supporting services | | | | |
| Pupil | 8,832,905 | 8,538,803 | 8,477,431 | (61,372) |
| Instructional staff | 834,378 | 803,682 | 800,634 | (3,048) |
| General administration | 132,168 | 175,462 | 173,572 | (1,890) |
| School administration | 203,280 | 207,493 | 209,572 | 2,079 |
| Business | 64,144 | 67,420 | 63,262 | (4,158) |
| Operations and maintenance | 316,021 | 311,794 | 303,896 | (7,898) |
| Pupil transportation services | 39,805 | 36,635 | 34,338 | (2,297) |
| Central | 579,692 | 567,488 | 566,012 | (1,476) |
| Community services | 3,900 | 8,277 | 64,850 | 56,573 |
| Intergovernmental payments | 954,831 | 1,560,623 | 1,342,045 | (218,578) |
| Capital outlay | 68,545 | 14,535 | 10,528 | (4,007) |
| Total expenditures | 19,464,783 | 19,594,247 | 19,209,570 | (384,677) |
| Excess (deficiency) of revenues over expenditures | (28,091) | 1,011,214 | 1,392,931 | 381,717 |

Ionia County Intermediate School District
Required Supplementary Information
Budgetary Comparison Schedule - Special Education Fund
For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual | Over (Under) Budget |
|-----------------------------|---------------------|---------------------|---------------------|---------------------------|
| | Original | Final | | |
| Other Financing Uses | | | | |
| Transfers out | \$ (603,984) | \$ (584,047) | \$ (583,775) | \$ (272) |
| Net change in fund balance | (632,075) | 427,167 | 809,156 | 381,445 |
| Fund balance - beginning | 2,673,924 | 2,673,924 | 2,673,924 | - |
| Fund balance - ending | <u>\$ 2,041,849</u> | <u>\$ 3,101,091</u> | <u>\$ 3,483,080</u> | <u>\$ 381,445</u> |

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

| | June 30, | | | | | | | | | |
|---|---------------|---------------|------|------|------|------|------|------|------|------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| A. Reporting unit's proportion of net pension liability (%) | 0.15% | 0.15% | | | | | | | | |
| B. Reporting unit's proportionate share of net pension liability | \$ 37,504,292 | \$ 33,223,028 | | | | | | | | |
| C. Reporting unit's covered-employee payroll | \$ 12,688,588 | \$ 12,549,379 | | | | | | | | |
| D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll | 295.57% | 264.74% | | | | | | | | |
| E. Plan fiduciary net position as a percentage of total pension liability | 63.17% | 66.20% | | | | | | | | |

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

| | For the Years Ended June 30, | | | | | | | | | |
|---|------------------------------|------------------|------|------|------|------|------|------|------|------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| A. Statutorily required contributions | \$ 2,309,399 | \$ 3,043,810 | | | | | | | | |
| B. Contributions in relation to statutorily required contributions | <u>2,309,399</u> | <u>3,043,810</u> | | | | | | | | |
| C. Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | | | | | | | | |
| D. Reporting unit's covered- employee payroll | 12,232,641 | 12,782,188 | | | | | | | | |
| E. Contributions as a percentage of covered-employee payroll | 18.88% | 23.81% | | | | | | | | |

Notes:

Benefit changes - There were no changes of benefit terms in 2016.

Changes in assumptions - There were no changes of benefit assumptions in 2016.

OTHER SUPPLEMENTARY INFORMATION

Ionia County Intermediate School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

| | <u>Special Revenue Funds</u> | | | <u>Capital Project Funds</u> | | Total Nonmajor Governmental Funds |
|---|------------------------------|-------------------------|-----------------|------------------------------|-------------------------|--|
| | Food Service | Vocational Education | Debt Service | Special Education | Vocational Education | |
| Assets | | | | | | |
| Cash | \$ - | \$ 250,027 | \$ 100 | \$ 97,945 | \$ 60,000 | \$ 408,072 |
| Accounts receivable | - | 35 | - | - | - | 35 |
| Due from other governmental units | 1,096 | 171,543 | - | - | - | 172,639 |
| Prepaid items | - | 2,574 | - | - | - | 2,574 |
| Total assets | <u>\$ 1,096</u> | <u>\$ 424,179</u> | <u>\$ 100</u> | <u>\$ 97,945</u> | <u>\$ 60,000</u> | <u>\$ 583,320</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 139 | \$ 16,460 | \$ 1 | \$ - | \$ - | \$ 16,600 |
| Due to other funds | 186 | - | - | - | - | 186 |
| Due to other governmental units | - | 94,030 | - | - | - | 94,030 |
| Payroll deductions and withholdings | - | 10,332 | - | - | - | 10,332 |
| Accrued salaries payable | - | 69,574 | - | - | - | 69,574 |
| Total liabilities | <u>325</u> | <u>190,396</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>190,722</u> |
| Fund Balance | | | | | | |
| Non-spendable | | | | | | |
| Prepaid items | - | 2,574 | - | - | - | 2,574 |
| Restricted for | | | | | | |
| Food service | 771 | - | - | - | - | 771 |
| Debt service | - | - | 99 | - | - | 99 |
| Vocational education | - | 231,209 | - | - | - | 231,209 |
| Assigned | | | | | | |
| Capital projects | - | - | - | 97,945 | 60,000 | 157,945 |
| Total fund balance | <u>771</u> | <u>233,783</u> | <u>99</u> | <u>97,945</u> | <u>60,000</u> | <u>392,598</u> |
| Total liabilities and fund balance | <u>\$ 1,096</u> | <u>\$ 424,179</u> | <u>\$ 100</u> | <u>\$ 97,945</u> | <u>\$ 60,000</u> | <u>\$ 583,320</u> |

Ionia County Intermediate School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

| | Special Revenue Funds | | | Capital Project Funds | | Total Nonmajor Governmental Funds |
|---|-----------------------|-------------------------|-----------------|-----------------------|-------------------------|--|
| | Food Service | Vocational Education | Debt Service | Special Education | Vocational Education | |
| Revenues | | | | | | |
| Local sources | \$ - | \$ 1,318,401 | \$ - | \$ - | \$ - | \$ 1,318,401 |
| State sources | - | 664,876 | - | - | - | 664,876 |
| Federal sources | 2,185 | 79,025 | - | - | - | 81,210 |
| Interdistrict sources | - | 34,240 | - | - | - | 34,240 |
| | | | | | | |
| Total revenues | 2,185 | 2,096,542 | - | - | - | 2,098,727 |
| Expenditures | | | | | | |
| Instruction | - | 1,058,653 | - | - | - | 1,058,653 |
| Supporting services | - | 825,120 | - | - | - | 825,120 |
| Food services | 838 | - | - | - | - | 838 |
| Intergovernmental payments | - | 67,763 | - | - | - | 67,763 |
| Capital outlay | 915 | 15,839 | - | - | - | 16,754 |
| Debt service | | | | | | |
| Principal | - | - | 95,000 | - | - | 95,000 |
| Interest and other expenditures | - | - | 20,500 | - | - | 20,500 |
| | | | | | | |
| Total expenditures | 1,753 | 1,967,375 | 115,500 | - | - | 2,084,628 |
| Excess (deficiency) of revenues over expenditures | 432 | 129,167 | (115,500) | - | - | 14,099 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | - | 115,500 | 97,945 | 60,000 | 273,445 |
| Transfers out | - | (122,000) | - | - | - | (122,000) |
| | | | | | | |
| Total other financing sources (uses) | - | (122,000) | 115,500 | 97,945 | 60,000 | 151,445 |
| Net change in fund balance | 432 | 7,167 | - | 97,945 | 60,000 | 165,544 |
| Fund balance - beginning | 339 | 226,616 | 99 | - | - | 227,054 |
| Fund balance - ending | \$ 771 | \$ 233,783 | \$ 99 | \$ 97,945 | \$ 60,000 | \$ 392,598 |

Ionia County Intermediate School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2016

| Year Ending June 30, | 2010 Energy Conservation Bond Fund |
|--|--|
| 2017 | \$ 100,000 |
| 2018 | 100,000 |
| 2019 | 105,000 |
| 2020 | 105,000 |
| Total | \$ 410,000 |
| Principal payments due the first day of | May 1 |
| Interest payments due the first day of | May 1 and November 1 |
| Interest rate | 4.00% |
| Original issue | \$ 975,000 |