

WEXFORD-MISSAUKEE
INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

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

JUNE 30, 2015



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

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WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

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October 19, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Wexford-Missaukee Intermediate School District
Cadillac, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford-Missaukee Intermediate School District, Cadillac, Michigan as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford-Missaukee Intermediate School District, Cadillac, Michigan as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 3 - O to the financial statements, effective July 1, 2014, Wexford-Missaukee Intermediate School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages iv through x and 38-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wexford-Missaukee Intermediate School District's basic financial statements. The Financial Statements – Nonmajor Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Financial Statements – Nonmajor Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

the Financial Statements – Nonmajor Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015, on our consideration of Wexford-Missaukee Intermediate School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Wexford-Missaukee Intermediate School District’s internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

This section of Wexford-Missaukee Intermediate School District's (the "District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents the information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities). The governmental activities of the District include instruction, supporting services, food service activities, athletic activities, community services, interest and other transactions.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, governmental funds and fiduciary funds.

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

Other Information

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

C. Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30:

| | <u>2015</u> | <u>2014</u> |
|----------------------------------------------------|--------------------|--------------------|
| Assets | | |
| Current Assets | \$ 12,183,372 | \$ 15,100,483 |
| Non Current Assets | | |
| Capital Assets | 17,621,311 | 17,519,304 |
| Less Accumulated Depreciation | <u>(9,483,285)</u> | <u>(9,056,422)</u> |
| Total Non Current Assets | <u>8,138,026</u> | <u>8,462,882</u> |
| Total Assets | <u>20,321,398</u> | <u>23,563,365</u> |
| Deferred Outflows of Resources | | |
| Deferred Outflows of Resources Related to Pensions | <u>2,372,458</u> | <u>0</u> |

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------------------|-----------------------|----------------------|
| Liabilities | | |
| Current Liabilities | 2,881,157 | 4,966,607 |
| Non Current Liabilities | <u>23,181,222</u> | <u>107,759</u> |
| Total Liabilities | <u>26,062,379</u> | <u>5,074,366</u> |
| Deferred Inflows of Resources | | |
| Deferred Inflows of Resources Related to Pensions | <u>2,505,991</u> | <u>0</u> |
| Net Position | | |
| Net Investment in Capital Assets | 8,138,026 | 8,462,882 |
| Restricted for Specific Purposes | 1,825,579 | 6,567,059 |
| Unrestricted | <u>(15,838,119)</u> | <u>3,459,058</u> |
| Total Net Position | <u>\$ (5,874,514)</u> | <u>\$ 18,488,999</u> |

Note: The net position as of June 30, 2014, was not restated for the effects of GASB 68.

D. Analysis of Financial Position

During the fiscal year ended June 30, 2015, the District's net position decreased by \$254,520. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2015, \$426,863 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2015, \$102,007 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

The net effect of the new capital assets, the current year's depreciation and current year disposal of capital assets is a decrease to capital assets in the amount of \$324,856 for the fiscal year ended June 30, 2015.

3. Pension Expense

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increases or decreases in any given year. For the year ended June 30, 2015, the District reported an increase in net position of \$1,311,563 related to GASB 68, which indicates that the District's proportionate share of the net pension liability decreased by that amount.

E. Results of Operations

For the fiscal year ended June 30, the results of operations, on a district-wide basis, were:

| | <u>2015</u> | <u>2014</u> |
|-----------------------------|---------------------|-----------------------|
| General Revenues | | |
| Property Taxes | \$ 11,057,122 | \$ 10,867,870 |
| Investment Earnings | 2,682 | 3,548 |
| State Sources | 567,685 | 1,018,268 |
| Other | <u>16,174</u> | <u>54,290</u> |
| Total General Revenues | <u>11,643,663</u> | <u>11,943,976</u> |
| Program Revenues | | |
| Charges for Services | 1,596,915 | 1,850,882 |
| Operating Grants | <u>13,398,104</u> | <u>9,605,656</u> |
| Total Program Revenues | <u>14,995,019</u> | <u>11,456,538</u> |
| Total Revenues | <u>26,638,682</u> | <u>23,400,514</u> |
| Expenses | | |
| Instruction | 5,991,871 | 6,145,355 |
| Supporting Services | 16,293,565 | 13,892,351 |
| Community Services | 92,037 | 82,813 |
| Payments to Other Districts | 4,088,866 | 4,597,650 |
| Unallocated Depreciation | <u>426,863</u> | <u>476,769</u> |
| Total Expenses | <u>26,893,202</u> | <u>25,194,938</u> |
| Changes in Net Position | <u>\$ (254,520)</u> | <u>\$ (1,794,424)</u> |

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

Note: The change in net position for the year ending June 30, 2014, has not been restated for the effects of GASB 68.

F. Financial Analysis of the District's Funds

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

| | <u>2015</u> | <u>2014</u> | <u>Increase (Decrease)</u> |
|---------------------------------------|---------------------|----------------------|--------------------------------|
| Major Funds | | | |
| General | \$ 1,987,631 | \$ 1,889,037 | \$ 98,594 |
| Special Education Fund | 3,157,755 | 3,815,931 | (658,176) |
| Vocational Education Fund | 2,331,250 | 2,751,128 | (419,878) |
| Nonmajor Funds | | | |
| General Capital Projects | 377,901 | 378,275 | (374) |
| Special Education Capital Projects | 1,003,974 | 1,008,380 | (4,406) |
| Vocational Education Capital Projects | 272,004 | 341,834 | (69,830) |
| Durant Capital Projects | 171,700 | 272,569 | (100,869) |
| Total Governmental Funds | <u>\$ 9,302,215</u> | <u>\$ 10,457,154</u> | <u>\$ (1,154,939)</u> |

In 2014-2015, the General Fund increased its fund balance by \$98,594. This increase can be attributed to various new state revenue sources. Expenditures also increased in the General Fund as these new state revenues were used to provide services to its students and local school districts throughout the intermediate school district.

The Special Education Fund decreased its fund balance during the year due to the fact that the District must meet maintenance of effort requirements. While local revenue streams continue to contract, the expenditures have remained constant or slightly increased from year to year, which causes the decrease in fund balance.

The Vocational Education Fund decreased its fund balance in a similar manner to the prior year. Revenues and expenditures have remained fairly constant over the past couple of years, but the fund has ample resources accumulated to continue to operate without cutting the services and opportunities the fund provides.

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

G. Budgetary Highlights

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

For the 2014-2015 fiscal year, the District amended the budgets various times throughout the year. The following schedule shows a comparison of the original budget, the final amended and actual totals from operations for all three major funds.

| | <u>ORIGINAL</u> <u>BUDGET</u> | <u>FINAL</u> <u>BUDGET</u> | <u>ACTUAL</u> |
|---------------------------|----------------------------------|-------------------------------|---------------|
| <u>REVENUES</u> | | | |
| General Fund | \$ 6,655,851 | \$ 9,579,487 | \$ 8,932,704 |
| Special Education Fund | 11,510,552 | 11,720,082 | 11,859,706 |
| Vocational Education Fund | 5,531,020 | 5,794,863 | 5,845,489 |
| <u>EXPENDITURES</u> | | | |
| General Fund | 4,597,639 | 7,934,370 | 6,756,509 |
| Special Education Fund | 10,463,314 | 10,691,950 | 10,938,557 |
| Vocational Education Fund | 5,762,005 | 5,871,769 | 5,833,427 |

The General Fund increased its budgeted revenues and budgeted expenditures by significant amounts to account for technology grants and consolidation of services grants and the expenditures related to these revenues. The Special Education and Vocational Education funds increased both the budgeted revenues and budgeted expenditures amounts as those amounts became more clear throughout the year.

The General Fund budgeted revenues and expenditures were both more than the actual amounts because the District did not expend all of the grant money it had received, thus causing the gap between budgeted and actual revenue and expenditures. The Special Education Fund received more local revenue than it had anticipated, causing the variance between budgeted and actual revenues. The Special Education Fund also expended more resources than it had budgeted for related to support services the District provides, causing the variance between budgeted and actual expenditures. The variances between budgeted and actual revenues and expenditures for the Vocational Education Fund were minimal.

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2015, the District has \$8,138,026 in a broad range of capital assets, including school buildings and facilities, vehicles, and various types of equipment. Depreciation expense for the

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

year amounted to \$426,863 bringing the accumulated depreciation to \$9,483,285 as of June 30, 2015. The District expended \$102,007 on various improvements and equipment throughout the District.

2. Long-Term Debt

At June 30, 2015, the District had no debt in the form of the bonds, loans, or notes. The District did report long-term debt related to its net pension liability (\$22,663,897) and compensated absences (\$517,325). More information related to this debt can be found in the footnotes.

I. Factors Bearing on the District's Future

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

- Lawmakers continue to work to determine the amount of per pupil funding that each district would receive, leaving uncertainty surrounding the largest revenue stream of the District.
- The District reached a settlement in contract negotiations with the Support Staff Association. The new agreement covers three years and will provide budget stability to the District.
- As with other employers, the District continues to face challenges in stemming increase in amounts paid for employee benefits, particularly health insurance and retirement.

J. Contacting the District's Financial Management

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS

CURRENT ASSETS

| | |
|----------------------------|--------------|
| Cash and Cash Equivalents | \$ 4,805,888 |
| Investments | 5,749,746 |
| Accounts Receivable | 173 |
| Taxes Receivable | 2,626 |
| Due from Other Governments | 1,587,076 |
| Inventories | 37,863 |

Total Current Assets 12,183,372

NON CURRENT ASSETS

| | |
|-------------------------------|--------------------|
| Capital Assets | 17,621,311 |
| Less Accumulated Depreciation | <u>(9,483,285)</u> |

Total Non Current Assets 8,138,026

TOTAL ASSETS 20,321,398

DEFERRED OUTFLOWS OF RESOURCES

| | |
|-------------------------------------------------------------------|------------------|
| Changes of Pension Assumptions | 836,249 |
| District Pension Contributions Subsequent to the Measurement Date | <u>1,536,209</u> |

TOTAL DEFERRED OUTFLOWS OF RESOURCES 2,372,458

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2015

LIABILITIES

CURRENT LIABILITIES

| | |
|-------------------------------|-----------|
| Accounts Payable | 77,070 |
| Due to Other Governments | 220,114 |
| Salaries and Benefits Payable | 1,365,488 |
| Accrued Expenses | 352,722 |
| Unearned Revenue | 865,763 |
| | <hr/> |
| Total Current Liabilities | 2,881,157 |

NON CURRENT LIABILITIES

| | |
|-------------------------------|------------|
| Compensated Absences | 517,325 |
| Net Pension Liability | 22,663,897 |
| | <hr/> |
| Total Non Current Liabilities | 23,181,222 |

TOTAL LIABILITIES

26,062,379

DEFERRED INFLOWS OF RESOURCES

| | |
|---------------------------------------------------------------------------------------------------------------|-----------|
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 2,505,503 |
| Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions | 488 |
| | <hr/> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,505,991 |

NET POSITION

| | |
|----------------------------------|-----------------------|
| Net Investment in Capital Assets | 8,138,026 |
| Restricted for Capital Projects | 1,825,579 |
| Unrestricted (Deficit) | (15,838,119) |
| | <hr/> |
| TOTAL NET POSITION | <u>\$ (5,874,514)</u> |

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

| <u>FUNCTIONS/PROGRAMS</u> | <u>EXPENDITURES</u> | <u>PROGRAM REVENUES</u> | | | <u>GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u> |
|-----------------------------------------------------------------|----------------------|---------------------------------|-----------------------------|---------------------------|------------------------------------------------------------------------------------------------------|
| | | <u>CHARGES FOR SERVICES</u> | <u>OPERATING GRANTS</u> | <u>CAPITAL GRANTS</u> | |
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | | |
| Instruction | \$ 5,991,871 | \$ 153,199 | \$ 2,465,432 | \$ 0 | \$ (3,373,240) |
| Supporting Services | 16,293,565 | 1,443,716 | 10,493,758 | 0 | (4,356,091) |
| Community Services | 92,037 | 0 | 6,974 | 0 | (85,063) |
| Payments to Other Districts | 4,088,866 | 0 | 431,940 | 0 | (3,656,926) |
| Unallocated Depreciation | 426,863 | 0 | 0 | 0 | (426,863) |
| | | | | | |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 26,893,202</u> | <u>\$ 1,596,915</u> | <u>\$ 13,398,104</u> | <u>\$ 0</u> | <u>(11,898,183)</u> |
| <u>GENERAL REVENUES</u> | | | | | |
| Property Taxes - Levied for General Purposes | | | | | 505,310 |
| Property Taxes - Levied for Special Education | | | | | 5,900,080 |
| Property Taxes - Levied for Vocational Education | | | | | 4,651,732 |
| Investment Earnings | | | | | 2,682 |
| State Sources | | | | | 567,685 |
| Other | | | | | 16,174 |
| | | | | | |
| TOTAL GENERAL REVENUES | | | | | <u>11,643,663</u> |
| | | | | | |
| Change in Net Position | | | | | (254,520) |
| | | | | | |
| <u>NET POSITION</u> - Beginning of Year - As Restated (Deficit) | | | | | <u>(5,619,994)</u> |
| | | | | | |
| <u>NET POSITION</u> - End of Year (Deficit) | | | | | <u>\$ (5,874,514)</u> |

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2015

| | GENERAL FUND | SPECIAL EDUCATION FUND | VOCATIONAL EDUCATION FUND | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|------------------------------------------------|--------------------|------------------------------|---------------------------------|--------------------------------------------|--------------------------------|
| <u>ASSETS</u> | | | | | |
| Cash and Cash Equivalents | \$ 601,205 | \$ 1,572,780 | \$ 1,366,794 | \$ 1,265,109 | \$ 4,805,888 |
| Investments | 1,685,355 | 2,195,806 | 1,306,281 | 562,304 | 5,749,746 |
| Accounts Receivable | 173 | 0 | 0 | 0 | 173 |
| Taxes Receivable | 120 | 1,401 | 1,105 | 0 | 2,626 |
| Due from Other Governments | 952,148 | 551,910 | 83,018 | 0 | 1,587,076 |
| Inventory | 0 | 0 | 37,863 | 0 | 37,863 |
| TOTAL ASSETS | \$3,239,001 | \$ 4,321,897 | \$ 2,795,061 | \$ 1,827,413 | \$ 12,183,372 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| <u>LIABILITIES</u> | | | | | |
| Accounts Payable | \$ 5,187 | \$ 68,473 | \$ 1,576 | \$ 1,834 | \$ 77,070 |
| Due to Other Governments | 219,903 | 82 | 129 | 0 | 220,114 |
| Salaries and Benefits Payable | 135,212 | 885,534 | 344,742 | 0 | 1,365,488 |
| Accrued Expenditures | 25,305 | 210,053 | 117,364 | 0 | 352,722 |
| Unearned Revenue | 865,763 | 0 | 0 | 0 | 865,763 |
| Total Liabilities | 1,251,370 | 1,164,142 | 463,811 | 1,834 | 2,881,157 |
| <u>FUND BALANCE</u> | | | | | |
| Nonspendable for: | | | | | |
| Inventory | 0 | 0 | 37,863 | 0 | 37,863 |
| Restricted for: | | | | | |
| Special Education | 0 | 3,157,755 | 0 | 0 | 3,157,755 |
| Vocational Education | 0 | 0 | 2,293,387 | 0 | 2,293,387 |
| Capital Projects | 0 | 0 | 0 | 1,825,579 | 1,825,579 |
| Assigned for: | | | | | |
| Subsequent Year Budget Shortfall | 45,926 | 0 | 0 | 0 | 45,926 |
| Unassigned | 1,941,705 | 0 | 0 | 0 | 1,941,705 |
| Total Fund Balances | 1,987,631 | 3,157,755 | 2,331,250 | 1,825,579 | 9,302,215 |
| TOTAL LIABILITIES AND FUND BALANCES | \$3,239,001 | \$ 4,321,897 | \$ 2,795,061 | \$ 1,827,413 | \$ 12,183,372 |

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

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

JUNE 30, 2015

Total Governmental Fund Balances \$ 9,302,215

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

| | | |
|-----------------------------------|--------------------|-----------|
| The cost of the capital assets is | \$ 17,621,311 | |
| Accumulated depreciation is | <u>(9,483,285)</u> | 8,138,026 |

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

| | |
|-----------------------|--------------|
| Net Pension Liability | (22,663,897) |
| Compensated Absences | (517,325) |

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

| | |
|---------------------------------------------------------------------------------------------------------------|--------------|
| Changes of Pension Assumptions | 836,249 |
| District Pension Contributions Subsequent to the Measurement Date | 1,536,209 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | (2,505,503) |
| Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions | <u>(488)</u> |

| | |
|-----------------------------------------|------------------------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ (5,874,514)</u></u> |
|-----------------------------------------|------------------------------|

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

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

YEAR ENDED JUNE 30, 2015

| | GENERAL FUND | SPECIAL EDUCATION FUND | VOCATIONAL EDUCATION FUND | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--------------------------------------------------------------|-----------------|------------------------------|---------------------------------|--------------------------------------------|--------------------------------|
| <u>REVENUES</u> | | | | | |
| Local Sources | \$ 1,425,585 | \$ 6,540,239 | \$ 4,878,598 | \$ 783 | \$ 12,845,205 |
| State Sources | 7,422,798 | 3,112,405 | 448,302 | 0 | 10,983,505 |
| Federal Sources | 84,321 | 2,207,062 | 518,589 | 0 | 2,809,972 |
| Total Revenues | 8,932,704 | 11,859,706 | 5,845,489 | 783 | 26,638,682 |
| <u>EXPENDITURES</u> | | | | | |
| Instruction | 0 | 3,127,218 | 3,229,360 | 0 | 6,356,578 |
| Supporting Services | 6,756,509 | 7,719,302 | 2,604,067 | 0 | 17,079,878 |
| Community Services | 0 | 92,037 | 0 | 0 | 92,037 |
| Capital Outlay | 0 | 0 | 0 | 176,262 | 176,262 |
| Total Expenditures | 6,756,509 | 10,938,557 | 5,833,427 | 176,262 | 23,704,755 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,176,195 | 921,149 | 12,062 | (175,479) | 2,933,927 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | |
| Payments to Other Districts | (2,077,601) | (1,579,325) | (431,940) | 0 | (4,088,866) |
| Net Change in Fund Balance | 98,594 | (658,176) | (419,878) | (175,479) | (1,154,939) |
| <u>FUND BALANCE</u> - Beginning of Year | 1,889,037 | 3,815,931 | 2,751,128 | 2,001,058 | 10,457,154 |
| <u>FUND BALANCE</u> - End of Year | \$ 1,987,631 | \$ 3,157,755 | \$ 2,331,250 | \$ 1,825,579 | \$ 9,302,215 |

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

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

JUNE 30, 2015

Net Change in Fund Balances Total Governmental Funds \$ (1,154,939)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities these costs are allocated over their estimated useful lives as depreciation. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the Statement of Activities.

| | |
|----------------------|-----------|
| Depreciation Expense | (426,863) |
| Capital Outlay | 102,007 |

Employees Accumulated Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

| | |
|------------------------------------------|-----------|
| Compensated Absences - Beginning of Year | 431,037 |
| Compensated Absences - End of Year | (517,325) |

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

| | |
|----------------------------------------------------------------------------------------------------------------------------|--------------|
| Change in Net Pension Liability | 1,445,096 |
| Change in Changes of Pension Assumptions | 836,249 |
| Change in District Pension Contributions Subsequent to Measurement Date | 1,536,209 |
| Change in Net Difference Between Actual and Projected Earnings on Pension Plan Investment | (2,505,503) |
| Change in Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions | <u>(488)</u> |

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (254,520)

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2015

| | <u>AGENCY FUNDS</u> |
|---------------------------------|-------------------------|
| <u>ASSETS</u> | |
| Cash and Cash Equivalents | \$ 50,680 |
| <u>LIABILITIES</u> | |
| Due to Groups and Organizations | <u>50,680</u> |
| <u>NET POSITION</u> | <u><u>\$ 0</u></u> |

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Description of Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

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

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

Other non-major funds:

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

Additionally, the District reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary fund:

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

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

E. Measurement Focus and Basis of Accounting

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

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

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

In the government-wide *Statement of Net Position*, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide *Statement of Activities* reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The *Statement of Activities* reduces gross expenses by related program revenues and operating 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, intermediate district sources, interest income and other revenues).

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

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

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

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The budgets are legally adopted at the functional level for the District; however, they are maintained at the program level for control purposes.
- e) The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the Board of Education.
- f) Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- g) The budget, as presented, has been amended in a legally permissible manner.

2. *Excess of Expenditures over Appropriations*

| | <u>APPROPRIATIONS</u> | | <u>EXPENDITURES</u> |
|------------------------|-----------------------|----|---------------------|
| Special Education Fund | | | |
| Instruction | \$ 3,035,387 | \$ | 3,127,218 |
| Supporting Services | 7,561,646 | | 7,719,302 |

These overages were covered by available fund balance and greater than anticipated revenues.

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

1. *Cash and Cash Equivalents*

Cash and cash equivalents consist of checking and saving accounts and pooled investment funds with an original maturity date of 90 days or less. Cash equivalents are recorded at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the District to invest as follows:

- a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

- b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- e) United States government or federal agency obligation repurchase agreements.
- f) Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
- g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
- h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal of direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the district are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

2. *Inventory and Prepaid Items*

Inventory is valued at cost. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

3. *Capital Assets*

Capital assets include land, buildings and additions, equipment and furniture, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide statements. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are values

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

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

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

4. Pension Reporting

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category, other than items related to its pension plan, which are discussed later in this report.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category, other than items related to its pension plan, which are discussed later in this report.

6. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. *Fund Balance Flow Assumption*

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

8. *Fund Balance Policies*

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

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

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

9. *Use of Estimates*

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

H. Revenues and Expenditures/Expenses

1. State Revenue

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

2. Program Revenues

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

3. Property Taxes

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

For the year ended June 30, 2015, the District levied the following amounts per \$1,000 of assessed valuation:

| <u>Fund</u> | <u>Mills</u> |
|---------------------------|--------------|
| General Fund | 0.2714 |
| Special Education Fund | 3.1071 |
| Vocational Education Fund | 2.5000 |

4. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

and non-vested amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a liability on the government-wide statements.

5. Long-Term Obligations

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2015.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2015, the District's bank balance was \$5,768,133 and \$5,022,685 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. Of the \$5,022,685 of uninsured funds, \$4,972,005 was in the governmental funds and \$50,680 was in the fiduciary funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

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

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end.

Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name.

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Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name.

At year-end all of the District's investments were uncategorized as to risk.

Balance sheet classifications:

| | <u>Deposits</u> | <u>Fiduciary Assets</u> | <u>Total</u> |
|--------------------------|----------------------|-----------------------------|----------------------|
| Cash and Restricted Cash | \$ 4,805,888 | \$ 50,680 | \$ 4,856,568 |
| Investments | 5,749,746 | 0 | 5,749,746 |
| | <u>\$ 10,555,634</u> | <u>\$ 50,680</u> | <u>\$ 10,606,314</u> |

B. Receivables

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

| | <u>General</u> | <u>Special Education Fund</u> | <u>Vocational Education Fund</u> | <u>Total</u> |
|----------------------------|-------------------|---------------------------------------|------------------------------------------|---------------------|
| Receivables | | | | |
| Accounts | \$ 173 | \$ 0 | \$ 0 | \$ 173 |
| Taxes | 120 | 1,401 | 1,105 | 2,626 |
| Due from Other Governments | 952,148 | 551,910 | 83,018 | 1,587,076 |
| Total Receivables | <u>\$ 952,441</u> | <u>\$ 553,311</u> | <u>\$ 84,123</u> | <u>\$ 1,589,875</u> |

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

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C. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

| | Balance July 1, 2014 | Increases | Decreases | Balance June 30, 2015 |
|--------------------------------------|-------------------------|--------------|-----------|--------------------------|
| Assets Not Being Depreciated: | | | | |
| Land | \$ 76,640 | \$ 0 | \$ 0 | \$ 76,640 |
| Total Assets Not Being Depreciated | 76,640 | 0 | 0 | 76,640 |
| Other Capital Assets | | | | |
| Buildings and Additions | 13,965,793 | 40,340 | 0 | 14,006,133 |
| Furniture and Equipment | 3,145,883 | 61,667 | 0 | 3,207,550 |
| Vehicles | 330,988 | 0 | 0 | 330,988 |
| Subtotal | 17,442,664 | 102,007 | 0 | 17,544,671 |
| Accumulated Depreciation | | | | |
| Buildings and Additions | 6,168,552 | 281,469 | 0 | 6,450,021 |
| Furniture and Equipment | 2,614,027 | 122,044 | 0 | 2,736,071 |
| Vehicles | 273,843 | 23,350 | 0 | 297,193 |
| Total Accumulated Depreciation | 9,056,422 | 426,863 | 0 | 9,483,285 |
| Net Other Capital Assets | 8,386,242 | (324,856) | 0 | 8,061,386 |
| Net Capital Assets | \$ 8,462,882 | \$ (324,856) | \$ 0 | \$ 8,138,026 |

Depreciation for the fiscal year ended June 30, 2015, amounted to \$426,863. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Defined Benefit Plan and Post-Retirement Benefits

Plan Description – The Michigan Public School Employees’ Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board’s authority to promulgate or amend the provisions of the System. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2014 Comprehensive Annual Financial Report, available here:

<http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

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Benefit Provisions- Pension

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

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 services through repayment of the refund upon satisfaction of certain requirements.

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012, subsequently amended to February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

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

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

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

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

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus hybrid plan described above and a Defined Contribution (DC) plan that provides 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus hybrid plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus hybrid plan. If they elect to opt out of the Pension Plus hybrid plan, their participation in the DC plan will be retroactive to their date of hire.

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member, who became a member of MPSERS prior to July 1, 2010, the

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averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012 and is shown below:

Option 1: $FAC \times \text{total years of service} \times 1.5\%$

Option 2: $FAC \times 30 \text{ years of service} \times 1.5\% + FAC \times \text{years of service beyond 30} \times 1.25\%$

Option 3: $FAC \times \text{years of service as of transition date} \times 1.5\% + FAC \times \text{years of service after transition date} \times 1.25\%$

Option 4: $FAC \text{ as of transition date} \times \text{years of service as of transition date} \times 1.5\%$

A MIP member who became a member of MPSERS prior to July 1, 2010 may retire at:

- age 46 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service; or
- age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Pension Plus member who became a member of MPSERS after June 30, 2010 may retire at age 60 with 10 or more years of credited service.

A Basic Plan member may retire at:

- age 55 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service.

There is no mandatory retirement age.

Early Retirement

A member may retire with an early permanently reduced pension:

- after completing at least 15 but less than 30 years of credited service; and
- after attaining age 55; and
- with credited service in each of the 5 school years immediately preceding the pension effective date.

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The early pension is computed in the same manner as a regular pension, but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

If a member terminates employment before attaining the age qualification, but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of weekly workers' compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc).

Forms of Payment

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options.

Straight Life Pension – The Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of a retiree's death. There are no

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monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiaries.

Survivor Options – Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary predeceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount (“pop-up” provision). If, however, a retiree was single at the time of retirement and subsequently married, the retiree can request to nominate a new spouse if they elected the straight life option at retirement. Also, if a retiree was married at the time of retirement and has since been widowed and remarried, the retiree can request to nominate a new spouse as a pension beneficiary as long as they elected a survivor option for the spouse at the time of retirement.

100% Survivor Pension – Pays a reduced pension to a retiree. The month after a retiree’s death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension – Pays a reduced pension to a retiree. The month after a retiree’s death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

50% Survivor Pension – Pays a reduced pension to a retiree. The month after a retiree’s death, 50% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Equated Plan – The Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor Pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree’s pension to decrease at age 62 by approximately the same amount as that person’s Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated, or 50% Equated will receive the

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100%, 75%, or 50% Survivor amount the month following the retiree's death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of the death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a 100% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan (MIP) member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

On January 1, 1990, pre-October 1, 1981 retirees received an increase that ranged from 1% to 22% dependent upon the pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement adjustments.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

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Contributions

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided". Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2014 valuation will be amortized over a 22 year period for the 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Pension Contribution Rates

| <u>Benefit Structure</u> | <u>Member</u> | <u>Employer</u> |
|--------------------------|---------------|-----------------|
| Basic | 0.0-4.0% | 18.34-19.61% |
| Member Investment Plan | 3.0-7.0% | 18.34-19.61% |
| Pension Plus | 3.0-6.4% | 18.11% |
| Defined Contribution | 0.0% | 15.44-16.61% |

The System may reconcile with actuarial requirement annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed

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actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was \$29.7 million and the discounted long-term receivable was \$83.6 million at September 30, 2014.

Benefit Provisions – Other Postemployment

Introduction

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

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Retiree Healthcare Reform of 2012

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

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

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Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who are rehired on September 4, 2012, will contribute 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they choose.

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the healthcare funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.
2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Public Act 300 of 2012, the state no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401(k) account.
- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other

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event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401(k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

Other Information

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree healthcare trust as MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus member. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State appealed the ruling to the Michigan Court of Appeals. The Court of Appeals accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the Court.

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail, the escrowed funds will be returned to the employees.

E. Net Pension Liability

Measurement of the MPSERS Net Pension Liability

The plan's net position liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPSERS (Plan) Net Pension Liability – As of September 30, 2014

| | |
|-----------------------------|--------------------------|
| Total Pension Liability | \$ 65,160,887,182 |
| Plan Fiduciary Net Position | 43,134,384,072 |
| Net Pension Liability | <u>\$ 22,026,503,110</u> |

Plan Fiduciary Net Position as a Percentage of Total Pension Liability 66.20%

Net Pension Liability as a Percentage of Covered-Employee Payroll 250.11%

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Year 1 MPSERS GASB 68 implementation recognizes a 0.00% change in the District's proportionate share between beginning net pension liability and ending net pension liability.

MPSERS (Plan) Net Pension Liability – As of October 1, 2013

| | |
|-----------------------------|-------------------|
| Total Pension Liability | \$ 62,859,499,994 |
| Plan Fiduciary Net Position | 39,427,686,072 |
| Net Pension Liability | \$ 23,431,813,922 |

Plan Fiduciary Net Position as a Percentage of Total Pension Liability 62.72%

Proportionate Share of District's Net Pension Liability

At September 30, 2014, the District reported a liability of \$22,663,897 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District's proportion of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the District's proportion was .10289%.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

| Investment Category | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------------|--------------------------|---------------------------------------------------|
| Domestic Equity Pools | 28.00% | 4.80% |
| Alternative Investment Pools | 18.00% | 8.50% |
| International Equity | 16.00% | 6.10% |
| Fixed Income Pools | 10.50% | 1.50% |
| Real Estate & Infrastructure Pools | 10.00% | 5.30% |
| Absolute Return Pools | 15.50% | 6.30% |
| Short-Term Investment Pools | 2.00% | -0.20% |
| | 100% | |

*Long-term rate does not include 2.5% inflation

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Rate of Return

For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 8.0 percent (7.0% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

| 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% |
|---------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------|
| \$ 29,880,375 | \$ 22,663,897 | \$ 16,583,908 |

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation as of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Actuarial Valuations and Assumptions

Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Actuarial Assumptions

| | |
|-------------------------------------|--------------------------------------------|
| Wage Inflation Rate: | 3.50% |
| Investment Rate of Return | |
| -MIP and Basic Plans (Non-Hybrid): | 8.00% |
| -Pension Plus Plan (Hybrid): | 7.00% |
| 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 |
| Healthcare Cost Trend Rate: | 8.5% Year 1 graded to 3.5% year 12 |

Mortality: RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures, including the experience study.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years is 4.8457.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2014 MPSERS Comprehensive Annual Financial Report.

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

For the year ended June 30, 2015, the District recognized total pension expense of \$1,835,712. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 0 | \$ 0 |
| Changes of assumptions | 836,249 | 0 |
| Net difference between projected and actual earnings on pension plan investments | 0 | 2,505,503 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 0 | 488 |
| District contributions subsequent to the measurement date | 1,536,209 | 0 |
| Total | \$ 2,372,458 | \$ 2,505,991 |

\$1,536,209 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

| Year Ended June 30, | Amount |
|----------------------------|----------------|
| 2016 | \$ (408,784) |
| 2017 | (408,784) |
| 2018 | (408,784) |
| 2019 | (443,390) |
| | \$ (1,669,742) |
| | \$ (1,669,742) |

G. Payables to the Pension Plan

As of June 30, 2015, the District had payables in the amount of \$471,386 to the pension plan. \$267,399 of this amount represents the amount the District is legally required to contribute on behalf of its employees. The balance, \$203,987, represents the amount the District is required to remit to the pension plan as required by Public Act 196 of 2014. The District has been paid \$67,971 and is owed \$136,016 from the State of Michigan as part of its section 147c categorical funding.

H. Long-Term Debt

The following is a summary of changes in long-term debt (including current portions) of the District for the year ended June 30, 2015:

| | Balance July 1, 2014 | Increases | (Decreases) | Balance June 30, 2015 | Due Within Year |
|----------------------|----------------------------|-------------|---------------|-----------------------------|-----------------------|
| Compensated Absences | \$ 431,037 | \$ 560,377 | \$ (474,089) | \$ 517,325 | \$ 0 |
| Pension Liability | 24,108,993 | 2,010,603 | (3,455,699) | 22,663,897 | 0 |
| Total | \$ 24,540,030 | \$2,570,980 | \$(3,929,788) | \$23,181,222 | \$ 0 |
| | \$ 24,540,030 | \$2,570,980 | \$(3,929,788) | \$23,181,222 | \$ 0 |

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

I. Interfund Receivables/Payables and Transfers

Often times, outstanding balances between funds exist mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. As of June 30, 2015, there were no interfund balances.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

programs accounted for in other funds in accordance with budgetary authorizations. The District does not have any interfund transfers for the fiscal year ending June 30, 2015.

J. Lease Information

The rental expense for the year ended June 30, 2015, totaled \$22,008.

The rental expense consists of a lease agreement on a room located at the hospital in Cadillac. The lease expires on January 31, 2019. The future minimum lease payments for these leases are as follows:

| <u>YEAR ENDING</u> | |
|--------------------|------------------|
| 2016 | \$ 22,008 |
| 2017 | 22,008 |
| 2018 | 22,008 |
| 2019 | <u>12,838</u> |
| | <u>\$ 78,862</u> |

K. Risk Management

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

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

L. Flexible Benefits Plan

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

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

M. Single Audit Report

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

N. Commitments and Contingencies

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

O. Accounting Change/Prior Period Restatement

Effective July 1, 2014 the District adopted GASB Statement 68 Accounting and Financial Reporting for Pensions. This Statement amends GASB Statement 27 and GASB Statement 50 and is designed to improve accounting and financial reporting by state and local governments for pensions. It is also designed to provide decision-useful information, support assessments of accountability and interperiod equity, and create additional transparency. Accordingly, the District's financial statements have been restated to appropriately account for this change. The restatement of the net position as of June 30, 2014 is summarized in the table below:

| | |
|-------------------------------------------------------------------------------------|------------------------------|
| Net Position - Governmental Activities - As previously reported as of June 30, 2014 | \$ 18,488,999 |
| Net Pension Liability - Restated to conform with GASB 68 | <u>(24,108,993)</u> |
| Net Position - Governmental Activities - Restated as of June 30, 2014 | <u><u>\$ (5,619,994)</u></u> |

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR FUNDS

YEAR ENDED JUNE 30, 2015

| | GENERAL FUND | | | SPECIAL EDUCATION FUND | | | VOCATIONAL EDUCATION FUND | | |
|--------------------------------------------------------------|---------------------|---------------------|---------------------|------------------------|---------------------|---------------------|---------------------------|---------------------|---------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL |
| <u>REVENUES</u> | | | | | | | | | |
| Local Sources | \$ 1,017,640 | \$ 1,264,500 | \$ 1,425,585 | \$ 6,786,731 | \$ 6,401,340 | \$ 6,540,239 | \$ 4,662,353 | \$ 4,802,215 | \$ 4,878,598 |
| State Sources | 5,615,037 | 8,294,487 | 7,422,798 | 2,781,977 | 3,111,859 | 3,112,405 | 333,181 | 474,059 | 448,302 |
| Federal Sources | 23,174 | 20,500 | 84,321 | 1,941,844 | 2,206,883 | 2,207,062 | 535,486 | 518,589 | 518,589 |
| Total Revenues | 6,655,851 | 9,579,487 | 8,932,704 | 11,510,552 | 11,720,082 | 11,859,706 | 5,531,020 | 5,794,863 | 5,845,489 |
| <u>EXPENDITURES</u> | | | | | | | | | |
| Instruction | 0 | 0 | 0 | 2,954,134 | 3,035,387 | 3,127,218 | 3,271,206 | 3,233,978 | 3,229,360 |
| Supporting Services | 4,597,639 | 7,934,370 | 6,756,509 | 7,416,339 | 7,561,646 | 7,719,302 | 2,490,799 | 2,637,791 | 2,604,067 |
| Community Services | 0 | 0 | 0 | 92,841 | 94,917 | 92,037 | 0 | 0 | 0 |
| Total Expenditures | 4,597,639 | 7,934,370 | 6,756,509 | 10,463,314 | 10,691,950 | 10,938,557 | 5,762,005 | 5,871,769 | 5,833,427 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,058,212 | 1,645,117 | 2,176,195 | 1,047,238 | 1,028,132 | 921,149 | (230,985) | (76,906) | 12,062 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | | | | | |
| Payments to Other Districts | (2,203,389) | (2,031,325) | (2,077,601) | (1,574,083) | (1,616,000) | (1,579,325) | (463,854) | (433,440) | (431,940) |
| Net Change in Fund Balance | (145,177) | (386,208) | 98,594 | (526,845) | (587,868) | (658,176) | (694,839) | (510,346) | (419,878) |
| <u>FUND BALANCE - Beginning of Year</u> | 1,853,847 | 1,889,037 | 1,889,037 | 3,703,855 | 3,815,931 | 3,815,931 | 2,864,884 | 2,751,128 | 2,751,128 |
| <u>FUND BALANCE - End of Year</u> | <u>\$ 1,708,670</u> | <u>\$ 1,502,829</u> | <u>\$ 1,987,631</u> | <u>\$ 3,177,010</u> | <u>\$ 3,228,063</u> | <u>\$ 3,157,755</u> | <u>\$ 2,170,045</u> | <u>\$ 2,240,782</u> | <u>\$ 2,331,250</u> |

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)
JUNE 30, 2015

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---------------------------------------------------------------------------------------------------------|------|------|------|------|------|------|------|------|------|---------------|
| District's proportion of net pension liability (%) | | | | | | | | | | 0.10289% |
| District's proportionate share of net pension liability | | | | | | | | | | \$ 22,663,897 |
| District's covered-employee payroll | | | | | | | | | | \$ 8,746,235 |
| District's proportionate share of net pension liability as a percentage of its covered-employee payroll | | | | | | | | | | 259.13% |
| Plan fiduciary net position as a percentage of total pension liability | | | | | | | | | | 66.20% |

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2015

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|-------------------------------------------------------------------|------|------|------|------|------|------|------|------|--------------|--------|
| Statutorily required contributions | | | | | | | | | \$ 2,010,603 | |
| Contributions in relation to statutorily required contributions * | | | | | | | | | 2,010,603 | |
| Contribution deficiency (excess) | | | | | | | | | \$ 0 | |
| Covered-Employee Payroll | | | | | | | | | \$ 8,856,340 | |
| Contributions as a percentage of covered-employee payroll | | | | | | | | | | 22.70% |

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

1. Changes of Benefit Terms

There were no changes of benefit terms during the year ended June 30, 2015.

2. Changes of Assumptions

There were no changes of benefit assumptions during the year ended June 30, 2015.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2015

| | CAPITAL PROJECTS FUNDS | | | | |
|-------------------------------------|--------------------------------|---------------------------------------------|------------------------------------------------|-------------------------------|--------------------------------------------|
| | GENERAL CAPITAL PROJECTS | SPECIAL EDUCATION CAPITAL PROJECTS | VOCATIONAL EDUCATION CAPITAL PROJECTS | DURANT CAPITAL PROJECTS | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
| <u>ASSETS</u> | | | | | |
| Cash | \$ 149,221 | \$ 674,744 | \$ 273,835 | \$ 167,309 | \$ 1,265,109 |
| Investments | 228,680 | 329,230 | 3 | 4,391 | 562,304 |
| | | | | | |
| TOTAL ASSETS | \$ 377,901 | \$ 1,003,974 | \$ 273,838 | \$ 171,700 | \$ 1,827,413 |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | | |
| <u>LIABILITIES</u> | | | | | |
| Accounts Payable | \$ 0 | \$ 0 | \$ 1,834 | \$ 0 | \$ 1,834 |
| <u>FUND BALANCE</u> | | | | | |
| Restricted for: | | | | | |
| Capital Projects | 377,901 | 1,003,974 | 272,004 | 171,700 | 1,825,579 |
| | | | | | |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 377,901 | \$ 1,003,974 | \$ 273,838 | \$ 171,700 | \$ 1,827,413 |

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

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

YEAR ENDED JUNE 30, 2015

| | <u>GENERAL CAPITAL PROJECTS</u> | <u>SPECIAL EDUCATION CAPITAL PROJECTS</u> | <u>VOCATIONAL EDUCATION CAPITAL PROJECTS</u> | <u>DURANT CAPITAL PROJECTS</u> | <u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u> |
|-----------------------------------------|-----------------------------------------|-------------------------------------------------------|----------------------------------------------------------|----------------------------------------|------------------------------------------------------|
| <u>REVENUES</u> | | | | | |
| Local Sources | \$ 137 | \$ 414 | \$ 136 | \$ 96 | \$ 783 |
| Total Revenues | 137 | 414 | 136 | 96 | 783 |
| <u>EXPENDITURES</u> | | | | | |
| Capital Outlay | 511 | 4,820 | 69,966 | 100,965 | 176,262 |
| Total Expenditures | 511 | 4,820 | 69,966 | 100,965 | 176,262 |
| Net Change in Fund Balance | (374) | (4,406) | (69,830) | (100,869) | (175,479) |
| <u>FUND BALANCE</u> - Beginning of Year | 378,275 | 1,008,380 | 341,834 | 272,569 | 2,001,058 |
| <u>FUND BALANCE</u> - End of Year | \$ 377,901 | \$ 1,003,974 | \$ 272,004 | \$ 171,700 | \$ 1,825,579 |

