

INGHAM INTERMEDIATE SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2019

CONTENTS

	<u>Page</u>
Independent auditor's report	4 - 6
Management's Discussion and Analysis	7 - 13
Basic financial statements	14
Government-wide financial statements	
Statement of net position.....	15
Statement of activities.....	16
Fund financial statements	
Balance sheet - governmental funds	17 - 18
Statement of revenues, expenditures and changes in fund balances - governmental funds.....	19 - 20
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities.....	21
Fiduciary fund	
Statement of fiduciary assets and liabilities	22
Notes to financial statements.....	23 - 54
Required supplementary information	55
Budgetary comparison schedule - general fund.....	56
Budgetary comparison schedule - special education fund.....	57
Budgetary comparison schedule - career and technical education fund.....	58
Schedule of the reporting unit's proportionate share of the net pension liability.....	59
Schedule of the reporting unit's pension contributions	60
Schedule of the reporting unit's proportionate share of the net OPEB liability	61
Schedule of the reporting unit's OPEB contributions	62
Notes to required supplementary information	63

CONTENTS

	<u>Page</u>
Additional supplementary information	64
Nonmajor governmental fund type	
Statement of revenues, expenditures and changes in fund balances	65
Tax summary	66 - 67
Long-term debt	
Bonded debt	68
Schedule of expenditures of federal awards	69 - 73
Notes to schedule of expenditures of federal awards	74
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	75 - 76
Independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.....	77 - 78
Schedule of findings and questioned costs	79
Schedule of prior year audit findings	80

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Ingham Intermediate School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ingham Intermediate School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Ingham Intermediate School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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*, issue 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 Ingham Intermediate School District as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Ingham Intermediate School District basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary 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 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 additional supplementary information is fairly stated, in all material respects, in relation to the 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 2, 2019 on our consideration of Ingham Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ingham Intermediate School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ingham Intermediate School District's internal control over financial reporting and compliance.

Maney Costeiran PC

October 2, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Ingham Intermediate School District’s (ISD) annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended June 30, 2019. Please read it in conjunction with the District’s financial statements, which immediately follow this section. A comparative analysis with the prior year has been provided.

FINANCIAL HIGHLIGHTS

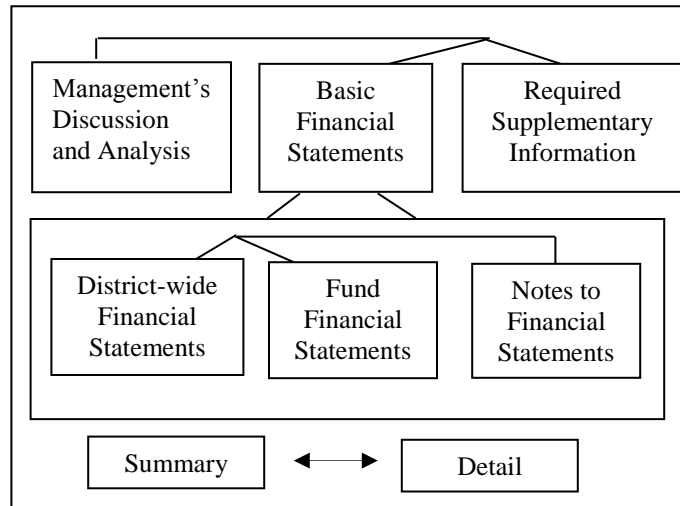
- Total **General Education fund** revenues and other financing sources were \$32.8 million and expenditures and other financing uses were \$32.2 million. Revenues for the 2018-19 year increased .5% and expenditures and other financing uses increased .2% from the previous year amounts.
- Total **Special Education fund** revenues were \$72.4 million and expenditures and other financing uses were \$72.4 million. Revenues for the 2018-19 year increased 5% and expenditures increased 5% from the previous year amounts.
- Total **Career and Technical Education fund** revenues were \$12.3 million and expenditures and other financing uses were \$12.2 million. Revenues for the 2018-19 year increased 4% and expenditures and other financing uses increased 9% from the previous year amounts.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the District-wide statements.
- The *governmental funds* statements tell how basic services like general and special education were financed in the short-term as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships which the District acts solely as the trustee or agent for the benefit of others.

**Figure A-1
Organization of Ingham Intermediate School District’s Annual Financial Report**



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District’s budgets for the year and pension and other postemployment benefit related information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-wide and Fund Financial Statements			
Scope	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary: General, Special Education, Career and Technical Education, and the Debt Service and Capital Projects funds	Instances in which the District administers resources on behalf of someone else, such as professional organizations and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include *all* of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The District-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources - are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The District-wide financial statements reflect the District's governmental activities.

Governmental activities - Most of the District's basic services are included here, such as general education, special education, career and technical education. Property taxes, state aid, grants, and user fees finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are the accounting method used by the District to keep track of specific sources of funding and spending on particular programs:

- State law requires some funds.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. 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. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - Ingham ISD's combined net position as of June 30, 2019 and 2018 changed as shown below.

**Table A-3
Ingham Intermediate School District's Net Position**

	2019	2018
Current assets	\$ 31,272,361	\$ 29,287,640
Noncurrent assets	15,475,043	13,490,114
Total assets	<u>46,747,404</u>	<u>42,777,754</u>
Deferred outflows of resources	<u>30,898,128</u>	<u>18,318,831</u>
Current liabilities	17,336,854	15,925,851
Noncurrent liabilities	2,047,674	2,191,520
Net other postemployment benefit liability	21,375,107	23,480,142
Net pension liability	80,016,385	68,576,569
Total liabilities	<u>120,776,020</u>	<u>110,174,082</u>
Deferred inflows of resources	<u>14,137,913</u>	<u>7,253,908</u>
Net position:		
Net investment in capital assets	14,306,043	12,154,114
Unrestricted	<u>(71,574,444)</u>	<u>(68,485,519)</u>
Total net position	<u><u>\$ (57,268,401)</u></u>	<u><u>\$ (56,331,405)</u></u>

**Table A-4
Changes in Ingham Intermediate School District's Net Position**

	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 16,809,714	\$ 16,982,071
Federal and state operating grants	24,324,541	23,988,311
General revenues:		
Property taxes	51,495,666	49,592,819
State aid - unrestricted	17,747,210	16,668,985
Grants and other revenue - unrestricted to specific programs	4,624,466	4,408,496
Other	2,820,345	2,008,825
Total revenues	<u>117,821,942</u>	<u>113,649,507</u>
Expenses:		
Instruction	16,507,220	17,448,210
Support services	51,532,830	48,711,301
Community services	405,367	276,186
Outgoing transfers and other	49,165,373	44,820,985
Interest on long-term debt	71,802	80,787
Unallocated depreciation	1,076,346	923,320
Total expenses	<u>118,758,938</u>	<u>112,260,789</u>
Change in net position	<u><u>\$ (936,996)</u></u>	<u><u>\$ 1,388,718</u></u>

District Governmental Activities

The following factors have positively influenced Ingham ISD's financial status at June 30, 2019.

- The General Fund experienced in 2018-19 an increase in both property tax revenue and investment interest earnings.
- The Special Education Fund experienced in 2018-19 an increase in both property tax revenue and investment interest earnings, combined with a Special Education ISD Plan with constituent districts that provides for adequate fund balance and cash flow, while maximizing payments to districts.
- The Career and Technical Education fund experienced in 2018-19 an increase in both property tax revenue and investment interest earnings, which was partially offset by a decrease in Section 61 and Section 62 State Aid funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Ingham ISD completed the year with its governmental funds reporting *combined* fund balances of \$13,518,402, which is \$562,545 more than last year's combined ending fund balance of \$12,955,857.

The General Education Fund had revenues which were \$647,144 higher than expenditures and other financing uses, which increased ending fund balance to \$4,487,276.

The fund balance in the Special Education Fund is, by design, a specific targeted amount. The ending fund balance at June 30, 2019 is \$443,225 which is the maintenance of the targeted amount. Available revenues in the Special Education fund are paid as outgoing transfers to constituent districts as reimbursement toward special education costs incurred in the districts.

The Career and Technical Education fund had revenues and other financing sources greater than expenditures and other financing uses, which resulted in a fund balance increase of \$128,380 to \$5,780,299 at year end.

The fund balance in the 2003 Capital Projects Fund represents funds set aside for future capital needs of the District and this fund had an ending fund balance of \$2,807,602 at June 30, 2019. The Debt Service fund, which is a non-major governmental fund, had expenditures equal to revenues and other financing sources and a zero ending fund balance.

During 2018-19, the original Ingham ISD budget was amended twice.

General Fund Budgetary Highlights

The General Education fund ended the 2018-19 fiscal year with a fund balance of \$4,487,276. Total revenue and other financing sources of \$32,834,542 were greater than total expenditures of \$31,755,619 and other financing uses of \$431,779, resulting in a \$647,144 increase in fund balance for the year.

- Total revenues of \$32,834,542 were \$221,551 less than budgeted revenues of \$33,056,093, which represented less than a 1% budget variance.
- Total expenditures of \$31,755,619 were \$316,851 less than budgeted expenditures of \$32,072,470, which represented less than a 1% budget variance.
- Other financing uses was budgeted at \$431,779 and actual was \$431,779.
- The net change in fund balance was budgeted at \$551,844 and the actual was \$647,144 or a positive budget variance of \$95,300.

Special Education Fund Budgetary Highlights

The Special Education fund ended the 2018-19 fiscal year with a fund balance of \$443,225. Total revenues of \$72,379,249 equaled total expenditures of \$72,379,249, resulting in no change in fund balance for the year.

- Total revenues of \$72,379,249 were \$173,645 greater than budgeted revenues of \$72,205,604, which represented less than a 1% budget variance.
- Total expenditures of \$72,379,249 were \$173,645 greater than budgeted expenditures of \$72,205,604, which represented less than a 1% budget variance.
- The net change in fund balance was budgeted at \$0 and the actual was \$0. This is a result of a targeted fund balance amount, and that available revenues in the Special Education fund are paid as outgoing transfers to constituent districts.

Career and Technical Education Budgetary Highlights

The Career and Technical Education fund ended the 2018-19 fiscal year with a fund balance of \$5,780,299. Total revenues of \$12,298,166 were more than total expenditures of \$11,210,628 and transfers out of \$959,158, resulting in an increase in fund balance of \$128,380 for the year.

- Total revenues of \$12,298,166 were \$106,663 greater than budgeted revenues of \$12,191,503 which represented a 1% budget variance.
- Total expenditures of \$11,210,628 were \$290,461 less than budgeted expenditures of \$11,501,089, which equated to a 3% budget variance.
- Other financing uses was budgeted at \$759,158 and actual was \$959,158.
- The net change in fund balance was budgeted at (\$68,744) and the actual was \$128,380, or a positive budget variance of \$197,124.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019 the District had a net investment of approximately \$15.5 million in a broad range of capital assets, including school buildings, computer equipment and administrative offices (see Table A-5). This amount is net of accumulated depreciation of \$16.6 million. Depreciation expense for the year was \$1,076,346.

**Table A-5
Ingham Intermediate School District's Capital Assets**

	2019	2018
Land	\$ 373,292	\$ 373,292
Construction in progress	245,321	731,633
Site improvements	1,332,672	522,748
Buildings and additions	10,959,901	9,816,089
Furniture and equipment	2,563,857	2,046,352
Total	\$ 15,475,043	\$ 13,490,114

The District's fiscal year 2019-20 budgets anticipate total capital asset expenditure from all funds of \$2,127,811. Operational fund capital expenditure budgets for equipment, technology and building improvements represent \$1,281,977 of this total, and the balance of \$845,834 is for building renovation, site improvements and technology projects budgeted in the 2003 Capital Projects Fund.

Long-term Debt

At year-end the District had \$2.048 million in limited obligation bonds and other long term debt outstanding, compared to \$2.191 million outstanding at the end of the prior year. The District repaid \$167,000 of principal during fiscal year 2018-19. A \$23,154 increase for the District's obligation for compensated absences was made during 2018-19.

FACTORS BEARING ON INGHAM ISD'S FUTURE

Property tax revenue is the primary source of funding for the three ISD operating funds. Recent years have provided modest growth of property tax values and related tax revenue which bears positively on Ingham ISD's financial future.

The District continues to expand programs and services in some areas, based on requests for services from constituent districts, from specific grant revenues, and Career and Technical Education enrollment increases. The majority of new sources of funds are restricted in their use for specific activities and are not available for discretionary use. As a result, some areas of our budget have expanded to respond to constituent district needs and organizational focus, while other areas have been stable or contracted. We expect this trend to continue.

Ingham ISD's administration and Board of Education will continue to engage in strategic planning and resource allocation processes which maintain our financial viability, while at the same time position the District to respond to constituent needs. We are committed to fulfilling our mission to lead and serve for the achievement and success of all learners.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers 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 information, contact the Business Office, Ingham Intermediate School District, 2630 W. Howell Road, Mason, MI 48854.

BASIC FINANCIAL STATEMENTS

**INGHAM INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 4,249,222
Investments	15,667,627
Receivables:	
Accounts receivable	2,613,466
Interest receivable	47,213
Intergovernmental receivable	7,745,727
Property taxes receivable	472,473
Prepays	476,633
Capital assets not being depreciated	618,613
Capital assets, net of accumulated depreciation	14,856,430
TOTAL ASSETS	46,747,404
DEFERRED OUTFLOWS OF RESOURCES:	
Related to other postemployment benefits	4,144,414
Related to pensions	26,753,714
TOTAL DEFERRED OUTFLOWS OF RESOURCES	30,898,128
LIABILITIES:	
Accounts payable	4,425,135
Accrued salaries and related items	2,044,236
Accrued retirement	1,382,814
Due to local school districts	1,791,742
Unearned revenue	5,465,925
Intergovernmental	79,961
Reserve for school based health services	2,147,041
Noncurrent liabilities:	
Due within one year	254,867
Due in more than one year	1,792,807
Net other postemployment benefit liability	21,375,107
Net pension liability	80,016,385
TOTAL LIABILITIES	120,776,020
DEFERRED INFLOWS OF RESOURCES:	
Related to other postemployment benefits	4,860,693
Related to pensions	6,304,195
Related to state aid funding for pensions and other postemployment benefits	2,973,025
TOTAL DEFERRED INFLOWS OF RESOURCES	14,137,913
NET POSITION:	
Net investment in capital assets	14,306,043
Unrestricted	(71,574,444)
TOTAL NET POSITION	\$ (57,268,401)

See notes to financial statements.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net position</u>
Governmental activities:				
Instruction	\$ 16,507,220	\$ 7,611,146	\$ 5,164,204	\$ (3,731,870)
Support services	51,532,830	9,198,568	7,970,614	(34,363,648)
Community services	405,367	-	383,663	(21,704)
Outgoing transfer and other transactions	49,165,373	-	10,738,783	(38,426,590)
Interest on long-term debt	71,802	-	67,277	(4,525)
Unallocated depreciation	1,076,346	-	-	(1,076,346)
Total governmental activities	<u>\$ 118,758,938</u>	<u>\$ 16,809,714</u>	<u>\$ 24,324,541</u>	<u>(77,624,683)</u>
General revenues:				
Property taxes, levied for general purposes				1,814,696
Property taxes, levied for special education				40,880,880
Property taxes, levied for career services and technical education				8,800,090
State sources - unrestricted				17,747,210
Grants and other revenue not restricted to specific programs				4,624,466
Transfers				267,095
Other				2,553,250
Total general revenues				<u>76,687,687</u>
CHANGE IN NET POSITION				(936,996)
NET POSITION:				
Beginning of year				<u>(56,331,405)</u>
End of year				<u>\$ (57,268,401)</u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

ASSETS	General fund	Special revenue		2003 Capital projects	Total nonmajor fund	Total governmental funds
		Special education fund	Career and technical education fund			
ASSETS:						
Cash and cash equivalents	\$ 561,771	\$ 798,776	\$ 223,594	\$ 2,665,081	\$ -	\$ 4,249,222
Investments	5,782,984	3,327,596	6,396,766	160,281	-	15,667,627
Accounts receivable	2,474,581	136,973	1,912	-	-	2,613,466
Interest receivable	8,870	24,311	14,032	-	-	47,213
Intergovernmental receivable	2,401,543	4,163,360	1,180,824	-	-	7,745,727
Due from other funds	300,000	-	-	-	-	300,000
Property taxes receivable	16,369	377,198	78,906	-	-	472,473
Prepays and other	88,213	243,352	145,068	-	-	476,633
TOTAL ASSETS	\$ 11,634,331	\$ 9,071,566	\$ 8,041,102	\$ 2,825,362	\$ -	\$ 31,572,361
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 1,985,985	\$ 2,079,303	\$ 342,087	\$ 17,760	\$ -	\$ 4,425,135
Accrued salaries and related items	238,947	1,307,750	497,539	-	-	2,044,236
Accrued retirement	181,990	950,219	250,605	-	-	1,382,814
Due to local school districts	-	1,791,742	-	-	-	1,791,742
Intergovernmental	79,961	-	-	-	-	79,961
Due to other funds	-	-	300,000	-	-	300,000
Unearned revenue	4,646,018	24,221	795,686	-	-	5,465,925
Reserve for school base health services	-	2,147,041	-	-	-	2,147,041
TOTAL LIABILITIES	7,132,901	8,300,276	2,185,917	17,760	-	17,636,854
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue	14,154	328,065	74,886	-	-	417,105
FUND BALANCES:						
Nonspendable:						
Prepays and other	88,213	243,352	145,068	-	-	476,633

See notes to financial statements.

	<u>Special revenue</u>			2003 Capital projects	Total nonmajor fund	Total governmental funds
	General fund	Special education fund	Career and technical education fund			
FUND BALANCES (Concluded):						
Restricted for:						
Special education	\$ -	\$ 199,873	\$ -	\$ -	\$ -	\$ 199,873
Career and technical education fund	-	-	5,635,231	-	-	5,635,231
Assigned for:						
Capital projects fund	-	-	-	2,807,602	-	2,807,602
Unassigned	4,399,063	-	-	-	-	4,399,063
TOTAL FUND BALANCES	<u>4,487,276</u>	<u>443,225</u>	<u>5,780,299</u>	<u>2,807,602</u>	<u>-</u>	<u>13,518,402</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 11,634,331</u>	<u>\$ 9,071,566</u>	<u>\$ 8,041,102</u>	<u>\$ 2,825,362</u>	<u>\$ -</u>	<u>\$ 31,572,361</u>
Total governmental fund balances						\$ 13,518,402
Amounts reported for governmental activities in the statement of net position are different because:						
Deferred outflows of resources - related to pensions						26,753,714
Deferred outflows of resources - related to other postemployment benefit						4,144,414
Deferred inflows of resources - related to pensions						(6,304,195)
Deferred inflows of resources - related to other postemployment benefit						(4,860,693)
Deferred inflows of resources - related to state pension funding for pension and other postemployment benefits						(2,973,025)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:						
The cost of the capital assets is					\$ 32,080,546	
Accumulated depreciation is					<u>(16,605,503)</u>	
						15,475,043
Unavailable revenue expected to be collected after September 1st						417,105
Long-term liabilities are not due and payable in the current period and are not reported in the funds:						
Bond payable						(1,169,000)
Compensated absences						(878,674)
Net other postemployment benefit liability						(21,375,107)
Net pension liability						<u>(80,016,385)</u>
Net position of governmental activities						<u><u>\$ (57,268,401)</u></u>

See notes to financial statements.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	<u>Special revenue</u>				Total nonmajor fund	Total governmental funds
	General fund	Special education fund	Career and technical education fund	2003 Capital projects		
REVENUES:						
Local sources:						
Property taxes	\$ 1,813,734	\$ 40,866,274	\$ 8,796,647	\$ -	\$ -	\$ 51,476,655
Other	2,993,236	5,305,794	494,988	3,608	-	8,797,626
Total local sources	4,806,970	46,172,068	9,291,635	3,608	-	60,274,281
State sources	3,030,526	13,391,197	1,528,608	-	-	17,950,331
Federal sources	-	168,366	-	-	67,277	235,643
Incoming transfers and other transactions	14,143,530	298,165	423,628	491,621	-	15,356,944
	21,981,026	60,029,796	11,243,871	495,229	67,277	93,817,199
Grants (see Note 7 Grants)	10,853,516	12,349,453	1,054,295	-	-	24,257,264
Total revenues and other financing sources	32,834,542	72,379,249	12,298,166	495,229	67,277	118,074,463
EXPENDITURES:						
Instruction	7,034,796	1,508,076	4,932,750	-	-	13,475,622
Supporting services	13,968,056	23,166,436	4,954,172	-	-	42,088,664
Outgoing transfers and other	(100,749)	35,355,284	269,411	1,927,170	239,252	37,690,368
	20,902,103	60,029,796	10,156,333	1,927,170	239,252	93,254,654
Grants (see Note 7 Grants)	10,853,516	12,349,453	1,054,295	-	-	24,257,264
Total expenditures	31,755,619	72,379,249	11,210,628	1,927,170	239,252	117,511,918

See notes to financial statements.

	<u>Special revenue</u>				<u>Total nonmajor fund</u>	<u>Total governmental funds</u>
	<u>General fund</u>	<u>Special education fund</u>	<u>Career and technical education fund</u>	<u>2003 Capital projects</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,078,923	\$ -	\$ 1,087,538	\$ (1,431,941)	\$ (171,975)	\$ 562,545
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	1,390,937	171,975	1,562,912
Transfers out	(431,779)	-	(959,158)	(171,975)	-	(1,562,912)
Total other financing sources (uses)	(431,779)	-	(959,158)	1,218,962	171,975	-
NET CHANGE IN FUND BALANCES	647,144	-	128,380	(212,979)	-	562,545
FUND BALANCES:						
Beginning of year	3,840,132	443,225	5,651,919	3,020,581	-	12,955,857
End of year	\$ 4,487,276	\$ 443,225	\$ 5,780,299	\$ 2,807,602	\$ -	\$ 13,518,402

See notes to financial statements.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net change in fund balances total governmental funds	\$ 562,545
Amounts reported for governmental activities in the statement of 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:	
Depreciation expense	(1,076,346)
Capital outlay	3,091,000
Loss on disposal of capital assets	(29,725)
The issuance of long term debt (e.g. bonds) provides current financial resources to governmental funds, while repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:	
Payments on debt	167,000
Revenue is recorded on the accrual method in the statement of activities. In the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of year	(405,932)
Unavailable revenue, end of year	417,105
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when the financial resources are used in the governmental funds:	
Compensated absences, beginning of the year	855,520
Compensated absences, end of the year	(878,674)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Other postemployment benefit related items	550,660
Pension related items	(3,926,455)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period:	
State aid funding for pension and other postemployment benefit	(263,694)
Change in net position of governmental activities	<u>\$ (936,996)</u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019**

ASSETS:

Cash and cash equivalents	\$ 97,049
Accounts receivable	210
	<hr/>
	\$ 97,259
	<hr/> <hr/>

LIABILITIES:

Accounts payable	\$ 3,151
Due to student and other groups	94,108
	<hr/>
	\$ 97,259
	<hr/> <hr/>

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

B. Reporting Entity

The Ingham Intermediate School District (the “District”) is governed by the Ingham Intermediate School District Board of Education (the “Board”), 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 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 the accounting principles generally accepted in the United States of America. 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. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

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 District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. 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.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

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 revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its *special education fund* and the *career and technical education fund* in the special revenue funds.

The *2003 capital projects* fund accounts for the receipt of proceeds from other funds and the acquisition or construction of capital facilities or equipment held by the District.

Additionally, the District reports the following nonmajor fund type:

The *2011 debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

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 (primarily student activities).

During the course of operations the District 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, they are eliminated in the preparation of the government-wide financial statements.

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, they are eliminated in the preparation of the government-wide financial statements.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 process of preparing 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 expenses. 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.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally 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. 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).

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also 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 and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, special education fund and the career and technical education fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

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

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). 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 financing 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. Violations, if any, in the general fund, special education fund, and the career and technical education fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2019. The District does not consider these amendments to be significant.

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

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

2. Investments

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

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Investments (Concluded)

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

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments 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.

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital assets (Concluded)

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings and additions	20 - 50
Land improvements and equipment	5 - 20

5. Defined benefit plans

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

6. Deferred outflows

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

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. The second is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The third and fourth items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

8. Net position flow assumption

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

9. Fund balance flow assumptions

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.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Fund balance policies

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

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

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses (Continued)

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2019, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills levied *	T.E.V. (billions)
General fund:		
General education	0.2000	9.24
Special revenue funds:		
Special education fund	4.5062	9.24
Career and technical education fund	1.2925	6.88

* Levied mills are net of Headlee rollback.

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

4. Long-term obligations (Concluded)

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2019, the District had the following investments:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Standard & Poor's rating</u>	<u>%</u>
MILAF - MICMS	\$ 67,068	0.0027	AAAm	0%
MILAF - MIMAX	4,027,417	0.0027	AAAm	26%
MILAF - Managed account	11,573,141	2.3652	AAAm	74%
Total fair value	<u>\$ 15,667,627</u>			
Portfolio weighted average maturity		1.7509		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2019, the fair value of the District’s investments is the same as the value of the pool shares.

MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. MILAF (Managed account) is recorded at fair value and are subject to fair value disclosures.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2019, \$4,143,360 of the District's bank balance of \$4,643,360 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying amount of all deposits including fiduciary funds is \$4,346,271.

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a market value summary by the level of the inputs used, as of June 30, 2019, in evaluating the District's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

The District's MILAF Managed Account is subject to the fair value measurement and is classified as Level 2.

This account consists of:

<u>Investment category</u>	
U.S. Treasury notes and bonds	40.00%
Supra-National Agency bonds and notes	6.00%
Federal Agency collateralized mortgage obligations	10.00%
Federal Agency bonds and notes	41.00%
Commercial paper	3.00%
	<u>100.00%</u>

The carrying amounts of the deposits and investments is as follows:

Deposits - including fiduciary funds of \$97,049	\$ 4,346,271
Investments	15,667,627
	<u>\$ 20,013,898</u>

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

Cash and cash equivalents - fiduciary funds	\$ 97,049
Cash and cash equivalents - District-wide	4,249,222
Investments - District-wide	15,667,627
	<u>\$ 20,013,898</u>

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governmental units at June 30, 2019 consist of the following:

Other governmental units:	
State aid	\$ 5,278,553
Federal grants	2,445,533
Other	21,641
	<u>\$ 7,745,727</u>

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2018	Additions/ Reclassification	Deletions/ Reclassification	Balance June 30, 2019
Assets not being depreciated:				
Land	\$ 373,292	\$ -	\$ -	\$ 373,292
Construction in progress	731,633	1,531,504	2,017,816	245,321
Total capital assets not being depreciated	1,104,925	1,531,504	2,017,816	618,613
Other capital assets:				
Land improvements	1,748,822	854,044	-	2,602,866
Buildings and additions	22,276,330	1,833,775	-	24,110,105
Equipment	4,081,895	889,493	222,426	4,748,962
Total capital assets being depreciated	28,107,047	3,577,312	222,426	31,461,933
Accumulated depreciation:				
Land improvements	1,226,074	44,120	-	1,270,194
Buildings and additions	12,460,241	689,963	-	13,150,204
Equipment	2,035,543	342,263	192,701	2,185,105
Total accumulated depreciation	15,721,858	1,076,346	192,701	16,605,503
Total capital assets being depreciated, net	12,385,189	2,500,966	29,725	14,856,430
Net capital assets	\$ 13,490,114	\$ 4,032,470	\$ 2,047,541	\$ 15,475,043

Depreciation for the fiscal year end June 30, 2019 amounted to \$1,076,346. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2019:

	General obligation bonds	Compensated absences	Total
Balance, July 1, 2018	\$ 1,336,000	\$ 855,520	\$ 2,191,520
Additions	-	23,154	23,154
Deletions	(167,000)	-	(167,000)
Balance, June 30, 2019	1,169,000	878,674	2,047,674
Due within one year	(167,000)	(87,867)	(254,867)
Due in more than one year	<u>\$ 1,002,000</u>	<u>\$ 790,807</u>	<u>\$ 1,792,807</u>

Long-term obligations at June 30, 2019 are comprised of the following issues:

General obligations bonds:

2011 Limited obligation (ARRA Qualified School Construction Bonds) due in annual installments of \$167,000 due April 15, 2026 with interest at 5.38%. ARRA program provides credits equal to the annual interest expense.

\$ 1,169,000

Compensated absences

878,674

Total general long-term obligations

\$ 2,047,674

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (Concluded)

The annual requirements to amortized long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2019, are as follows:

Year ending June 30,	General obligation bonds		Compensated absences	Total
	Principal	Interest		
2020	\$ 167,000	\$ 62,892	\$ -	\$ 229,892
2021	167,000	53,908	-	220,908
2022	167,000	44,924	-	211,924
2023	167,000	35,938	-	202,938
2024	167,000	26,954	-	193,954
2025 - 2026	334,000	26,954	-	360,954
	1,169,000	251,570	-	1,420,570
Compensated absences	-	-	878,674	878,674
	<u>\$ 1,169,000</u>	<u>\$ 251,570</u>	<u>\$ 878,674</u>	<u>\$ 2,299,244</u>

The above interest payments do not include the interest credit on the qualified school construction bonds (QSCB). See page 68 for a complete schedule showing the QSCB credit.

Interest expense at the fund level was \$71,802 for the year ended June 30, 2019.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2019 are as follows:

Receivable fund	Amount	Payable fund	Amount
General fund	<u>\$ 300,000</u>	Career and technical education fund	<u>\$ 300,000</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in accounting systems, and (3) payments between funds are made.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - GRANTS

The District receives numerous grants in furtherance of its educational purposes. Sources of grants for the year ended June 30, 2019 are as follows:

<u>Source</u>	<u>General education</u>	<u>Special education</u>	<u>Career and technical education</u>	<u>Total</u>
Local	\$ 1,862,006	\$ 62,659	\$ 579,828	\$ 2,504,493
State	8,093,944	100,348	52,700	8,246,992
Federal	<u>897,566</u>	<u>12,186,446</u>	<u>421,767</u>	<u>13,505,779</u>
	<u>\$ 10,853,516</u>	<u>\$ 12,349,453</u>	<u>\$ 1,054,295</u>	<u>\$ 24,257,264</u>

Local sources include local governments, private industries and foundations.

NOTE 8 - TRANSFERS

The general fund and the career and technical education fund transferred \$431,779 and \$959,158, respectively, to the 2003 capital projects fund for future capital projects. The 2003 capital projects fund transferred \$171,975 to the 2011 debt service fund for the redemption of bonds payable.

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/ors schools.

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

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description (Concluded)

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

Benefits Provided - Overall

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

<u>Plan name</u>	<u>Plan type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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

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

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2010

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

Pension Reform 2012

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

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

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 transient 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.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2012 (Concluded)

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

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 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 Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

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

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree 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.

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment 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, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

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

	Pension	Other postemployment benefit
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$7,214,000, with \$7,077,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately \$2,063,000, with \$1,958,000 specifically for the Defined Benefit Plan.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer Contributions (Concluded)

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

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

Pension Liabilities

At June 30, 2019, the District reported a liability of \$80,016,385 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.26617% and 0.26463%.

<u><i>MPSERS (Plan) Non-university employers</i></u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total pension liability	\$ 79,863,694,444	\$ 72,407,218,688
Plan fiduciary net position	\$ 49,801,889,205	\$ 46,492,967,573
Net pension liability	\$ 30,061,805,239	\$ 25,914,251,115
Proportionate share	0.26617%	0.26463%
Net pension liability for the District	\$ 80,016,385	\$ 68,576,569

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

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

For the year ended June 30, 2019, the District recognized pension expense of \$11,003,678.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 371,291	\$ (581,465)
Net difference between projected and actual earnings on pension plan investments	-	(5,471,087)
Change in assumptions	18,531,729	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	1,594,867	(251,643)
Reporting Unit's contributions subsequent to the measurement date	6,255,827	-
	\$ 26,753,714	\$ (6,304,195)

\$6,255,827, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Amount
2019	\$ 6,144,328
2020	4,215,116
2021	2,732,160
2022	1,102,088

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

OPEB Liabilities

At June 30, 2019, the District reported a liability of \$21,375,107 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.26890% and 0.26515%.

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total other postemployment benefit liability	\$ 13,932,170,264	\$ 13,920,945,991
Plan fiduciary net position	\$ 5,983,218,473	\$ 5,065,474,948
Net other postemployment benefit liability	\$ 7,948,951,791	\$ 8,855,471,043
Proportionate share	0.26890%	0.26515%
Net other postemployment benefit liability for the District	\$ 21,375,107	\$ 23,480,142

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,407,715.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ -	\$ (3,978,457)
Changes of assumptions	2,263,635	-
Net difference between projected and actual earnings on OPEB plan investments	-	(821,496)
Changes in proportion and differences between employer contributions and proportionate share of contributions	286,841	(60,740)
Reporting Unit's contributions subsequent to the measurement date	<u>1,593,938</u>	<u>-</u>
	<u>\$ 4,144,414</u>	<u>\$ (4,860,693)</u>

\$1,593,938, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended September 30,</u>	<u>Amount</u>
2019	\$ (576,927)
2020	(576,927)
2021	(576,927)
2022	(409,927)
2023	(169,509)

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

Investment rate of return for pension - 7.05% a year, compounded annually net of investment and administrative expenses for the non-hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the hybrid group (Pension Plus Plan).

Investment rate of return for OPEB - 7.15% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75%.

Inflation - 3.0%.

Mortality assumptions:

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2017. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of living pension adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.0% in year twelve.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

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

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment category</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic Equity Pools	28.0%	5.7%
Private Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	3.9%
Absolute Return Pools	15.5%	5.2%
Short Term Investment Pools	2.0%	0.0%
	<u>100.0%</u>	

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

Pension discount rate - A single discount rate of 7.05% was used to measure the total pension liability (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

OPEB discount rate - A single discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 105,055,333	\$ 80,016,385	\$ 59,213,089

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefits		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 25,660,382	\$ 21,375,107	\$ 17,770,668

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Concluded)

Actuarial Assumptions (Concluded)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefits		
	1% Decrease	Healthcare cost trend rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 17,580,790</u>	<u>\$ 21,375,107</u>	<u>\$ 25,727,964</u>

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2018 Comprehensive Annual Financial Report.

Payable to the pension and OPEB plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total 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 workers' compensation pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including property, liability, and employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2019 or any of the prior 3 years.

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes abated
Alaiedon Township	\$ 63,459
Delhi Township	9,609
Delta Township	31,835
Leroy Township	16,867
Vevay Township	2,536
Watertown Township	3,397
Bath Township	1,797
City of Lansing	285,560
City of Leslie	581
City of Mason	55,555
City of Williamston	14,198
	\$ 485,394

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - TAX ABATEMENTS (Concluded)

The District is considered to be an “in-formula” district. The property tax revenue that is abated for the special education and vocational education millage is considered when the State of Michigan determines the District’s funding under section 56 and section 62 of the State School Aid Act.

NOTE 12 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District’s 2021 year end. The objective of this Statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

**INGHAM INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 4,596,937	\$ 4,748,588	\$ 4,806,970	\$ 58,382
State sources	2,653,855	3,022,666	3,030,526	7,860
Incoming transfers and other transactions	13,517,764	14,169,754	14,143,530	(26,224)
	20,768,556	21,941,008	21,981,026	40,018
Grants	11,084,655	11,115,085	10,853,516	(261,569)
Total revenues	<u>31,853,211</u>	<u>33,056,093</u>	<u>32,834,542</u>	<u>(221,551)</u>
EXPENDITURES:				
Instruction	6,781,539	7,231,861	7,034,796	197,065
Supporting services	13,674,060	13,840,964	13,968,056	(127,092)
Outgoing transfer and other	3,501	(115,440)	(100,749)	(14,691)
	20,459,100	20,957,385	20,902,103	55,282
Grants	11,084,655	11,115,085	10,853,516	261,569
Total expenditures	<u>31,543,755</u>	<u>32,072,470</u>	<u>31,755,619</u>	<u>316,851</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>309,456</u>	<u>983,623</u>	<u>1,078,923</u>	<u>95,300</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(217,900)	(431,779)	(431,779)	-
NET CHANGE IN FUND BALANCE	<u>\$ 91,556</u>	<u>\$ 551,844</u>	647,144	<u>\$ 95,300</u>
FUND BALANCE:				
Beginning of year			<u>3,840,132</u>	
End of year			<u>\$ 4,487,276</u>	

**INGHAM INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2019**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
REVENUES:				
Local sources	\$ 45,068,936	\$ 45,996,750	\$ 46,172,068	\$ 175,318
State sources	12,975,750	13,398,029	13,391,197	(6,832)
Federal sources	156,656	212,447	168,366	(44,081)
Incoming transfers and other transactions	318,829	304,021	298,165	(5,856)
	58,520,171	59,911,247	60,029,796	118,549
Grants	11,981,483	12,294,357	12,349,453	55,096
Total revenues	<u>70,501,654</u>	<u>72,205,604</u>	<u>72,379,249</u>	<u>173,645</u>
EXPENDITURES:				
Instruction	1,219,277	1,469,398	1,508,076	(38,678)
Supporting services	23,661,763	23,728,646	23,166,436	562,210
Outgoing transfer and other	33,639,131	34,713,203	35,355,284	(642,081)
	58,520,171	59,911,247	60,029,796	(118,549)
Grants	11,981,483	12,294,357	12,349,453	(55,096)
Total expenditures	<u>70,501,654</u>	<u>72,205,604</u>	<u>72,379,249</u>	<u>(173,645)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			<u>443,225</u>	
End of year			<u>\$ 443,225</u>	

**INGHAM INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAREER
AND TECHNICAL EDUCATION FUND
YEAR ENDED JUNE 30, 2019**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
REVENUES:				
Local sources	\$ 8,927,915	\$ 9,204,915	\$ 9,291,635	\$ 86,720
State sources	1,193,292	1,501,103	1,528,608	27,505
Incoming transfers and other transactions	317,769	429,897	423,628	(6,269)
	10,438,976	11,135,915	11,243,871	107,956
Grants	804,658	1,055,588	1,054,295	(1,293)
Total revenues	<u>11,243,634</u>	<u>12,191,503</u>	<u>12,298,166</u>	<u>106,663</u>
EXPENDITURES:				
Instruction	5,477,470	5,141,441	4,932,750	208,691
Supporting services	4,525,198	5,024,346	4,954,172	70,174
Outgoing transfer and other	297,522	279,714	269,411	10,303
	10,300,190	10,445,501	10,156,333	289,168
Grants	804,658	1,055,588	1,054,295	1,293
Total expenditures	<u>11,104,848</u>	<u>11,501,089</u>	<u>11,210,628</u>	<u>290,461</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>138,786</u>	<u>690,414</u>	<u>1,087,538</u>	<u>397,124</u>
OTHER FINANCING USES:				
Transfers out	<u>(600,000)</u>	<u>(759,158)</u>	<u>(959,158)</u>	<u>(200,000)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ (461,214)</u>	<u>\$ (68,744)</u>	128,380	<u>\$ 197,124</u>
FUND BALANCE:				
Beginning of year			<u>5,651,919</u>	
End of year			<u>\$ 5,780,299</u>	

**INGHAM INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.26617%	0.26463%	0.26396%	0.25450%	0.24272%
Reporting Unit's proportionate share of net pension liability	\$ 80,016,385	\$ 68,576,569	\$ 65,854,882	\$ 62,160,555	\$ 53,462,790
Reporting Unit's covered-employee payroll	\$ 22,847,473	\$ 21,977,214	\$ 22,710,105	\$ 21,314,008	\$ 20,664,616
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	350.22%	312.03%	289.98%	291.64%	258.72%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 7,077,224	\$ 6,929,167	\$ 6,174,280	\$ 5,690,431	\$ 4,747,429
Contributions in relation to statutorily required contributions	<u>7,077,224</u>	<u>6,929,167</u>	<u>6,174,280</u>	<u>5,690,431</u>	<u>4,747,429</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 23,728,828	\$ 22,592,330	\$ 21,882,267	\$ 21,858,891	\$ 21,147,186
Contributions as a percentage of covered-employee payroll	29.83%	30.67%	28.22%	26.03%	22.45%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2018	2017
Reporting Unit's proportion of net OPEB liability (%)	0.26890%	0.26515%
Reporting Unit's proportionate share of net OPEB liability	\$ 21,375,107	\$ 23,480,142
Reporting Unit's covered-employee payroll	\$ 22,847,473	\$ 21,977,214
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.56%	106.84%
Plan fiduciary net position as a percentage of total OPEB liability (non-university employers)	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 1,958,374	\$ 1,960,840
Contributions in relation to statutorily required contributions	<u>1,958,374</u>	<u>1,960,840</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 23,728,828	\$ 22,592,330
OPEB contributions as a percentage of covered-employee payroll	8.25%	8.68%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

Pension Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50% -12.30%, including wage inflation of 3.50%.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate decreased to 7.15% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50% -12.30%, including wage inflation of 3.50%.

Healthcare cost trend rate decreased to 7.50% Year 1 graded to 3.00% Year 12 from 7.50% Year 1 graded to 3.50% Year 12.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

ADDITIONAL SUPPLEMENTARY INFORMATION

**INGHAM INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPE
YEAR ENDED JUNE 30, 2019**

	2011 Debt service
REVENUE:	
Federal sources	\$ 67,277
EXPENDITURES:	
Principal	167,000
Interest	71,802
Other	450
Total expenditures	239,252
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(171,975)
OTHER FINANCING SOURCES:	
Transfers in	171,975
NET CHANGE IN FUND BALANCE	-
FUND BALANCES:	
Beginning of year	-
End of year	\$ -

**INGHAM INTERMEDIATE SCHOOL DISTRICT
TAX SUMMARY
YEAR ENDED JUNE 30, 2019**

	2018 Taxes levied - net of TV changes through 6/30/19	Taxes collected	Balance due 6/30/19
General education fund:			
Ingham County	\$ 1,505,835	\$ 1,498,426	\$ 7,409
Eaton County	160,113	159,690	423
Clinton County	100,269	100,495	(226)
Livingston County	21,502	19,643	1,859
Jackson County	23,568	23,562	6
Washtenaw County	6,726	6,726	-
Shiawassee County	1,516	1,569	(53)
Total general education fund	<u>1,819,529</u>	<u>1,810,111</u>	<u>9,418</u>
Special revenue funds:			
Special education fund:			
Ingham County	33,927,961	33,760,897	167,064
Eaton County	3,607,509	3,597,979	9,530
Clinton County	2,259,156	2,264,244	(5,088)
Livingston County	484,453	442,573	41,880
Jackson County	531,021	530,865	156
Washtenaw County	151,552	151,551	1
Shiawassee County	34,164	35,365	(1,201)
Total special education fund	<u>40,995,816</u>	<u>40,783,474</u>	<u>212,342</u>
Career and technical education fund:			
Ingham County	7,163,779	7,135,998	27,781
Eaton County	956,594	954,493	2,101
Clinton County	364,123	365,694	(1,571)
Livingston County	138,954	126,942	12,012
Jackson County	152,311	152,266	45
Washtenaw County	43,469	43,469	-
Shiawassee County	9,799	10,143	(344)
Total career and technical education fund	<u>8,829,029</u>	<u>8,789,005</u>	<u>40,024</u>
Total special revenue funds	<u>49,824,845</u>	<u>49,572,479</u>	<u>252,366</u>
TOTAL ALL FUNDS	<u>\$ 51,644,374</u>	<u>\$ 51,382,590</u>	<u>\$ 261,784</u>

	2018 Taxes levied - net of TV changes through 6/30/19	Taxes collected	Balance due 6/30/19
Combined (all funds):			
Ingham County	\$ 42,597,575	\$ 42,395,321	\$ 202,254
Eaton County	4,724,216	4,712,162	12,054
Clinton County	2,723,548	2,730,433	(6,885)
Livingston County	644,909	589,158	55,751
Jackson County	706,900	706,693	207
Washtenaw County	201,747	201,746	1
Shiawassee County	45,479	47,077	(1,598)
Sub-total all funds	<u>51,644,374</u>	<u>51,382,590</u>	<u>261,784</u>
Total current levy - all funds and counties	51,644,374	<u>\$ 51,382,590</u>	<u>261,784</u>
Delinquent property tax adjustments	(167,719)		
Total property tax revenue	<u>\$ 51,476,655</u>		
2017 taxes levied receivable			<u>261,784</u>
Prior years:			
Uncollected, beginning of year			405,008
Collections/SEV changes/write-offs			<u>(194,319)</u>
Uncollected, end of year			<u>210,689</u>
Total taxes receivable			<u>\$ 472,473</u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT
BONDED DEBT
YEAR ENDED JUNE 30, 2019**

\$2,500,000 Qualified School Construction Bonds (Limited Tax General Obligation) issued in 2011:

Principal due April 15,	Interest due			Net-Debt service requirement for fiscal year	
	April 15,	October 15,	QSCB credit	June 30,	Amount
\$ 167,000	\$ 31,446	\$ 31,446	\$ (62,892)	2020	\$ 167,000
167,000	26,954	26,954	(53,908)	2021	167,000
167,000	22,462	22,462	(44,924)	2022	167,000
167,000	17,969	17,969	(35,938)	2023	167,000
167,000	13,477	13,477	(26,954)	2024	167,000
167,000	8,985	8,985	(17,970)	2025	167,000
167,000	4,492	4,492	(8,984)	2026	167,000
<u>\$ 1,169,000</u>	<u>\$ 125,785</u>	<u>\$ 125,785</u>	<u>\$ (251,570)</u>		<u>\$ 1,169,000</u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Pass-through grantor/ Program Title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued revenue at 7/1/2018	Prior year(s) expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued revenue at 6/30/2019	Current year cash transferred to subrecipient
U. S. Department of Education:									
Passed through Michigan Department of Education:									
Title I Grants to Local Educational Agencies	84.010	181530-1718	\$ 43,053	\$ 1,878	\$ 13,267	\$ 23,895	\$ 22,017	\$ -	\$ -
		181570-1718	1,467,248	251,981	719,050	593,112	341,131	-	-
		191530-1819	46,632	-	-	13,473	14,198	725	-
		191570-1819	1,008,068	-	-	356,087	410,313	54,226	7,326
Total CFDA #84.010			2,565,001	253,859	732,317	986,567	787,659	54,951	7,326
Title I, Neglected and Delinquent Children	84.013	181700-1718	48,090	420	32,186	16,324	15,904	-	-
		191700-1819	41,054	-	-	28,599	29,270	671	-
Total CFDA #84.013			89,144	420	32,186	44,923	45,174	671	-
Special Education Cluster:									
Special Ed - IDEA	84.027	170450-1617	10,981,207	117,258	154,979	121,788	4,530	-	110,360
		180450-1718	11,111,389	1,807,559	10,951,367	1,807,559	160,022	160,022	309,745
		190450-1819	11,328,139	-	-	9,347,318	11,130,264	1,782,946	1,049,297
		190493-1819	137,500	-	-	96,088	137,500	41,412	-
		180480-EOSD	55,000	15,525	55,000	15,525	-	-	-
		180490-TC	70,000	20,975	70,000	20,975	-	-	-
			33,683,235	1,961,317	11,231,346	11,409,253	11,432,316	1,984,380	1,469,402
Passed through Grand Valley State University:									
START - Grand Valley State University	84.027	180470-3D54	24,000	10,540	18,540	10,540	-	-	-
Total CFDA #84.027			33,707,235	1,971,857	11,249,886	11,419,793	11,432,316	1,984,380	1,469,402
Passed through Michigan Department of Education:									
Special Ed - Preschool	84.173	170460-1617	325,480	30,708	30,708	30,708	-	-	5,203
		180460-1718	325,953	216,420	305,768	216,420	20,185	20,185	152,652
		190460-1819	337,075	-	-	142,737	337,075	194,338	136,579
Total CFDA #84.173			988,508	247,128	336,476	389,865	357,260	214,523	294,434
Total Special Education Cluster			34,695,743	2,218,985	11,586,362	11,809,658	11,789,576	2,198,903	1,763,836

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Pass-through grantor/ Program Title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued revenue at 7/1/2018	Prior year(s) expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued revenue at 6/30/2019	Current year cash transferred to subrecipient
U. S. Department of Education (Concluded):									
Passed through Michigan Department of Education (Concluded):									
Special Education - Infants and Toddlers-IDEA Part C	84.181	181340-1718 191340-1819	\$ 303,999 315,481	\$ 51,803 -	\$ 303,999 -	\$ 51,803 266,944	\$ - 315,481	\$ - 48,537	\$ - -
Total CFDA #84.181			619,480	51,803	303,999	318,747	315,481	48,537	-
Race to the Top - Trusted Advisors	84.412	144720-1718	60,000	8,700	8,700	49,702	41,002	-	-
TOTAL PASSED THROUGH MICHIGAN DEPARTMENT OF EDUCATION			38,005,368	2,523,227	12,645,024	13,199,057	12,978,892	2,303,062	1,771,162
Carl D. Perkins - Clinton County RESA	84.048	183520-18214 193520-19214	353,752 421,767	103,588 -	353,752 -	103,588 289,299	- 421,767	- 132,468	- -
Total CFDA #84.048			775,519	103,588	353,752	392,887	421,767	132,468	-
TOTAL U.S. DEPARTMENT OF EDUCATION			38,804,887	2,637,355	13,017,316	13,602,484	13,400,659	2,435,530	1,771,162
U.S. Department of Health and Human Services:									
Passed through Michigan Department of Community Health:									
Child Care and Development Block Grant	93.575	183QUA-1718 193QUA-1819	100,000 50,000	15,223 -	75,872 -	39,351 34,631	24,128 38,604	- 3,973	- -
Total CFDA #93.575			150,000	15,223	75,872	73,982	62,732	3,973	-
Medicaid - Outreach	93.778		-	(88,316)	116,424	169,892	168,366	(89,842)	163,670
Passed through other agencies:									
Health Families America:									
Local Home Visiting Leadership Group	93.870	20180518	40,000	3,327	22,093	19,454	16,127	-	-
Local Home Visiting Leadership Group	93.870	20192671	40,000	-	-	20,231	26,261	6,030	-
Total CFDA #93.870			80,000	3,327	22,093	39,685	42,388	6,030	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			230,000	(69,766)	214,389	283,559	273,486	(79,839)	163,670
TOTAL FEDERAL AWARDS			\$ 39,034,887	\$ 2,567,589	\$ 13,231,705	\$ 13,886,043	\$ 13,674,145	2,355,691	\$ 1,934,832
							Due to other governmental units	89,842	
							Intergovernmental receivable	\$ 2,445,533	

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PASS-THROUGH AMOUNTS
YEAR ENDED JUNE 30, 2019**

Program title/grant number subrecipient name	Federal CFDA number	State pass-through number	Intermediate pass-through number	Subrecipient award/contract amount	Due to (from) subrecipient 7/1/18	Subrecipient current year expenditures	Current year cash transferred to subrecipient	Due to (from) subrecipients 6/30/19
PASS-THROUGH GRANTEE								
TITLE I:								
Lansing School District	84.010	191570-1819	000917	\$ 20,000	\$ -	\$ 9,724	\$ 6,651	\$ 3,073
Mid Michigan Leadership Academy	84.010	191570-1819	000917	<u>675</u>	<u>-</u>	<u>675</u>	<u>675</u>	<u>-</u>
Total Title I				<u>\$ 20,675</u>	<u>\$ -</u>	<u>\$ 10,399</u>	<u>\$ 7,326</u>	<u>\$ 3,073</u>
SPECIAL EDUCATION - IDEA:								
East Lansing Public Schools	84.027	170450-1617	000595	\$ 8,987	\$ 8,987	\$ -	\$ 8,987	\$ -
		180450-1718	000595-18450	13,920	-	13,920	-	13,920
Holt Public Schools	84.027	170450-1617	000595	25,597	25,545	-	25,545	-
		180450-1718	000595-18450	11,881	-	11,881	-	11,881
Lansing School District	84.027	170450-1617	000595	859,854	22,132	-	22,132	-
		180450-1718	000594	800,000	255,191	-	255,191	-
		180450-1718	000595-18450	18,587	-	18,587	-	18,587
		190450-1819	000594	800,000	-	800,000	608,085	191,915
Okemos Public Schools	84.027	170450-1617	000595	7,919	7,918	-	7,918	-
		180450-1718	000595-18450	1,121	-	1,121	-	1,121
Waverly Community Schools	84.027	170450-1617	000595	44,611	44,611	-	44,611	-
		180450-1718	000595-18450	2,426	-	2,426	-	2,426
Williamston Community Schools	84.027	170450-1617	000595	1,167	1,167	-	1,167	-
		180450-1718	000595-18450	5,608	-	5,608	-	5,608
Great Lakes Cyber Academy	84.027	180450-1718	000594	154,538	48,560	-	48,560	-
		190450-1819	000594	180,605	-	180,605	157,740	22,865
Michigan Connections Academy	84.027	180450-1718	000594	274,941	5,994	-	5,994	-
		190450-1819	000594	<u>285,345</u>	<u>-</u>	<u>285,345</u>	<u>283,472</u>	<u>1,873</u>
Total Special Education IDEA				<u>\$ 3,497,107</u>	<u>\$ 420,105</u>	<u>\$ 1,319,493</u>	<u>\$ 1,469,402</u>	<u>\$ 270,196</u>

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PASS-THROUGH AMOUNTS
YEAR ENDED JUNE 30, 2019**

Program title/grant number subrecipient name	Federal CFDA number	State pass-through number	Intermediate pass-through number	Subrecipient award/contract amount	Due to (from) subrecipient 7/1/18	Subrecipient current year expenditures	Current year cash transferred to subrecipient	Due to (from) subrecipients 6/30/19
PASS-THROUGH GRANTEE								
PRE-SCHOOL - IDEA:								
Dansville Schools	84.173	180460-1718	000523	5,531	5,531	-	5,531	-
		190460-1819	000523	5,878	-	5,878	-	5,878
East Lansing Public Schools	84.173	180460-1718	000523	22,120	22,120	-	22,120	-
		190460-1819	000523	22,336	-	22,336	-	22,336
Haslett Public Schools	84.173	180460-1718	000523	26,422	26,422	-	26,422	-
		190460-1819	000523	17,045	-	17,045	-	17,045
Holt Public Schools	84.173	180460-1718	000523	39,940	7,401	-	7,401	-
		190460-1819	000523	37,031	-	37,031	25,164	11,867
Lansing School District	84.173	170460-1617	000524	1,983	1,983	-	1,983	-
		180460-1718	000523	113,671	18,678	-	18,678	-
		190460-1819	000523	126,961	-	125,327	97,896	27,431
Leslie Public Schools	84.173	180460-1718	000523	12,289	12,289	-	12,289	-
		190460-1819	000523	13,519	-	13,519	13,519	-
Mason Public Schools	84.173	180460-1718	000523	26,422	4,910	-	4,910	-
		190460-1819	000523	24,686	-	24,686	-	24,686
Okemos Public Schools	84.173	170460-1617	000524	1,412	1,412	-	1,412	-
		180460-1718	000523	17,204	17,204	-	17,204	-
		190460-1819	000523	21,747	-	21,747	-	21,747
Waverly Community Schools	84.173	170460-1617	000524	1,808	1,808	-	1,808	-
		180460-1718	000523	21,506	21,506	-	21,506	-
		190460-1819	000523	27,625	-	27,625	-	27,625
Williamston Community Schools	84.173	180460-1718	000523	16,591	16,591	-	16,591	-
		190460-1819	000523	11,755	-	11,755	-	11,755
Total Preschool IDEA				\$ 615,482	\$ 157,855	\$ 306,949	\$ 294,434	\$ 170,370

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PASS-THROUGH AMOUNTS
YEAR ENDED JUNE 30, 2019**

<u>Program title/subrecipient name</u>	<u>Federal CFDA number</u>	<u>Due to (from) subrecipient 7/1/18</u>	<u>Subrecipient current year expenditures</u>	<u>Current year cash transferred to subrecipient</u>	<u>Due to (from) subrecipient 6/30/19</u>
MEDICAID OUTREACH:	93.778				
Dansville Schools		\$ 1,985	\$ 3,887	\$ 3,832	\$ 2,040
East Lansing Public Schools		5,903	12,920	12,625	6,198
Haslett Public Schools		5,553	10,778	10,627	5,704
Holt Public Schools		10,216	18,448	18,360	10,304
Lansing School District		29,680	49,031	49,099	29,612
Leslie Public Schools		2,706	5,385	5,248	2,843
Mason Public Schools		6,236	12,556	12,367	6,425
Okemos Public Schools		7,224	15,464	15,217	7,471
Stockbridge Public Schools		3,114	6,371	6,285	3,200
Waverly Community Schools		7,315	17,028	16,647	7,696
Webberville Community Schools		1,277	2,102	2,095	1,284
Williamston Community Schools		4,762	8,846	8,717	4,891
Blended Learning Academies		15	76	70	21
Cole Academy		576	652	698	530
Lansing Charter Academy		503	270	325	448
Mid-Michigan Leadership Academy		373	473	483	363
El-Hajj Malik El-Shabazz Academy		8	136	126	18
White Pine Academy		222	341	354	209
Windemere Park Charter Academy		648	432	495	585
Total Medicaid Outreach		<u>\$ 88,316</u>	<u>\$ 165,196</u>	<u>\$ 163,670</u>	<u>\$ 89,842</u>

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Ingham Intermediate School District under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Ingham Intermediate School District, it is not intended to and does not present the financial position or changes in net position of Ingham Intermediate School District.

Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

2. Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Ingham Intermediate School District has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Federal expenditures are reported as revenue in the following funds in the financial statements:

Total grants revenue:	
General fund	\$ 10,853,516
Special education fund	12,349,453
Career and technical education fund	<u>1,054,295</u>
Total grants	24,257,264
Less non-federal grants:	
Local	(2,504,493)
State	<u>(8,246,992)</u>
Total federal grants	13,505,779
Federal revenue per financial statements	235,643
Less Federal QSCB Interest credit	<u>(67,277)</u>
Total federal expenditures	<u><u>\$ 13,674,145</u></u>

4. Subrecipients - Of the federal expenditures presented in the schedule of expenditures of federal awards, Ingham Intermediate School District provided federal awards to subrecipients reported in the schedule of pass-through amounts.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Ingham Intermediate School District

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ingham Intermediate School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Ingham Intermediate School District’s basic financial statements and have issued our report thereon dated October 2, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

October 2, 2019

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

To the Board of Education
Ingham Intermediate School District

Report on Compliance for Each Major Federal Program

We have audited Ingham Intermediate School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ingham Intermediate School District's major federal programs for the year ended June 30, 2019. Ingham Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Ingham Intermediate School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Ingham Intermediate School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Maney Costeiran PC

October 2, 2019

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

➤ Material weakness(es) identified? _____ Yes X No

➤ Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified? _____ Yes X No

➤ Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

No matters were reported for the year ended June 30, 2019.

Section III - Federal Award Findings and Questioned Costs

No findings or questioned costs were noted for the year ended June 30, 2019.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no findings for the prior year.