Hillsdale County Intermediate School District
Hillsdale, Michigan

FINANCIAL STATEMENTS

June 30, 2018

Hillsdale County Intermediate School District

Hillsdale, Michigan

June 30, 2018

BOARD OF EDUCATION

Hillsdale County Intermediate School District

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STEVENS KIRINOVIC & TUCKER P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hillsdale County Intermediate School District
Hillsdale, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hillsdale County Intermediate School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Hillsdale County Intermediate School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter - Change in Accounting Principles

As discussed in Note 14 to the financial statements, Hillsdale County Intermediate School District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Our opinions are not modified with respect to this matter.

As also discussed in Note 14 to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

October 19, 2018

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

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

Using this Annual Report

This annual report consists of a series of financial statements and notes to the statements. These statements are organized so the reader can understand the District financially as a whole. The District-wide Financial Statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the district-wide financial statements by providing information about the District's most significant funds - the General Education Fund, the Special Education (Special Revenue) Fund, the Vocational Education (Special Revenue) Fund and the Vocational Education (Capital Projects) Fund - with all other funds presented in one column as non-major funds.

The sections of our audit are listed below in the order they appear in this report:

Management's Discussion and Analysis (MD&A)

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements

Notes to the Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Schedule of Proportionate Share of Net Pension Liability

Schedule of Proportionate Share of Net OPEB Liability

Schedule of Contributions

Notes to Required Supplementary Information

Other Supplementary Information

Non-major Governmental Funds

Reporting the School District as a Whole - District-Wide Financial Statements

One of the most important questions asked about the District is, “what is the District’s financial condition as a result of the year’s activities?” The statement of net position and the statement of activities, which appear first in the District’s financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District’s net position - the difference between assets and deferred outflows of resources vs. liabilities and deferred inflows of resources, as reported in the statement of net position - as one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District’s operating results. However, the District’s goal is to provide services to our students, not to generate profits as commercial entities do.

One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the District.

Reporting the District’s Most Significant Funds - Fund Financial Statements

The District’s fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes (Special Education, Vocational Education, School Service, Fiber Consortium, Debt Service, and Capital Projects Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for appropriate capital projects). The governmental funds of the District use the following accounting approach:

Governmental funds - All of the District’s services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information 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. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliation.

The District as a Whole

Recall the statement of net position provides the perspective of the District as a whole. Table 1 provides a summary of the District's governmental activities and component unit combined net position as of June 30, 2018 and 2017:

Table 1

	June 30, 2018 (In millions)	June 30, 2017 (In millions)
Assets		
Current and other assets	$ 6.3	$ 6.2
Capital assets	3.8	4.0
Total Assets	$ 10.1	$ 10.2
Deferred Outflow of Resources	$ 3.9	$ 2.4
Liabilities		
Current liabilities	$ 3.0	$ 3.1
Long-term liabilities	21.3	17.2
Total Liabilities	$ 24.3	$ 20.3
Deferred Inflow of Resources	$ 3.4	$ 0.9
Net Position		
Net investment in capital assets	$ 3.8	$ 4.0
Restricted	0.2	0.1
Unrestricted	(17.7)	(18.4)
Total Net Position	$ (13.7)	$ (14.3)

By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions. This table has been restated from last year to reflect the recording of the pension liability and corresponding deferred inflows and outflows of resources that are required to be recorded as a result of a change in accounting principles. The District also reports its investment in capital assets (e.g., land, buildings, equipment, and etc.). The District uses these capital assets to provide services to students and residents of the community; consequently, these assets are *not* available for future spending. Also, the amount of net position restricted for specific purposes was specifically restricted for vocational and special education purposes.

The above analysis focuses on the net position (see Table 1) and is derived from the detailed statement on page 1 of the financial statements. The change in net position (see Table 2) of the District's governmental activities is discussed below. The District's total net position was ($13,717,951) at June 30, 2018. Net investment in capital assets totaling $3,759,027, compares the original cost, less depreciation, of the District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from unrestricted revenues in each applicable fund.

Restricted net position totaling $164,338 are reported separately to show legal constraints from funding sources and enabling legislation that limit the District's ability to use those net positions for day-to-day operations.

The results of this year's operations for the District as a whole are reported in the statement of activities (See Table 2), which shows an increase in net position for fiscal year 2017-2018 of $571,151. The following table shows the comparison of revenue and expenses, comparing 2017-2018 with last year's revenue and expenses (in millions) to fiscal year 2016-2017.

Table 2

	June 30, 2018 (In millions)	June 30, 2017 (In millions)
Revenue		
Program Revenues:		
Charges for services	$ 0.9	$ 0.9
Operating grants and contributions	6.9	7.5
General Revenues:		
Property taxes	4.6	4.6
State aid unrestricted and other	0.9	0.6
Total Revenue	13.3	13.6
Functions/Programs Expenses		
Governmental Activities		
Instruction	$ 3.1	$ 3.1
Support services	7.3	7.8
Community services	0.1	0.0
Inter-district payments and other	1.9	2.0
Unallocated depreciation	0.3	0.3
Total Expenses	12.7	13.2
Increase (Decrease) in Net Position	$ 0.6	$ 0.4

As reported in the statement of activities, the cost of all of the governmental activities this year was $12,734,380. Certain activities were partially funded from those who benefited from the programs totaling $920,265 or by other governments and organizations that subsidized certain programs with grants and contributions of $6,933,098. We paid for the remaining "public benefit" portion of governmental activities with $4,558,815 in taxes and $884,353 in unrestricted State aid and other revenues, such as interest and general entitlements.

The District experienced an increase in net position of $571,151. The key reason for the increase in net position was the decrease in the cost of governmental activities.

As discussed above, the net cost shows the financial burden that was placed on the State and the District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the District and balance those needs with State-prescribed available unrestricted sources.

The District's Funds

As we noted earlier, the District uses individual fund activities to help it control and manage the available money for specific purposes. Looking at each of the funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of $3,302,201, which is an increase of $153,097 from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased from $495,889 to $532,093. The increase of $36,204 was the result of a planned increase in federal sources of revenue.

In the Special Education Fund, the fund balance increased from $1,067,478 to $1,199,292. The increase of $131,814 was the result of planned increase in federal sources of revenue.

In the Vocational Education Fund (Special Revenue), the fund balance decreased from $452,353 to $388,977. The decrease of $63,376 was the result of planned increase in salaries and wages for a new cyber security teacher and assistant welding teacher.

In the Vocational Education Fund (Capital Projects), the fund balance decreased from $774,295 to $764,706. This decrease of $9,589 was the result of a planned decrease in local sources of revenue.

Governmental Budgetary Highlights

Over the course of the year, the District revises its Governmental Funds budgets as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year-end. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

In the original budget, the District assumes the revenues such as property taxes, state revenues and federal revenues remain at prior year levels and expenditures are budgeted assuming there will be increases in salaries, benefits and other costs. The original budget was amended June 21, 2018, for increases and/or decreases to funds.

Original versus Final Budget:

	Original Budget	Final Budget	Increase (Decrease)
General Education Fund			
Total revenues and other financing sources	$ 3,168,758	$ 3,831,682	$ 662,924
Total expenditures and other financing uses	$ 1,670,451	$ 2,134,233	$ 463,782
Special Education (Special Revenue) Fund			
Total revenues and other financing sources	$ 8,316,438	$ 7,854,182	$ (462,256)
Total expenditures and other financing uses	$ 8,178,651	$ 7,861,603	$ (317,048)
Vocational Education (Special Revenue) Fund			
Total revenues and other financing sources	$ 1,980,965	$ 2,508,491	$ 527,526
Total expenditures and other financing uses	$ 1,487,841	$ 2,097,600	$ 609,759

Budgeting for all Funds:

The policy of the District is to budget based on prior year funding and to not recognize increases in revenue until confirmation of the amount has been received. Expenditures increased to reflect costs associated with the additional funding.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the District had $3,759,027 invested in a broad range of capital assets, including land, buildings, vehicles, buses, furniture and equipment, net of accumulated depreciation. This amount represents a net decrease (including additions, disposals, and depreciation) of $232,804 or 5.83% from last year.

	2018	2017
Land	$ 223,912	$ 332,275
Construction in progress	11,432	-
Buildings and improvements	4,758,493	4,956,509
Furniture and equipment	1,096,375	965,223
Buses and other vehicles	1,379,727	1,270,738
	7,469,939	7,524,745
Accumulated Depreciation	(3,710,912)	(3,532,914)
Net Capital Assets	$ 3,759,027	$ 3,991,831

We present more detailed information about our capital assets in Note 3 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the District's 2018-2019 fiscal year budgets. The 2018-2019 budgets were adopted June 21, 2018, based on an estimate of local, State and Federal revenues that were anticipated at that time. Under State law, the School District cannot assess additional property tax revenue for general, special education, or vocational education operations. As a result, district funding is heavily dependent on the State's ability to fund school operations. State law requires the District to amend the budget if actual District resources are not sufficient to fund original appropriations.

Once the state aid revenues are confirmed, the District administration will present balanced, amended budgets to the Board of Education for adoption.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 310 West Bacon Street, Hillsdale, Michigan 49242 or visit our website at www.hillsdale-isd.org.

BASIC FINANCIAL STATEMENTS

Hillsdale County Intermediate School District

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 4,010,087
Taxes receivable	21,505
Accounts receivable	45,323
Due from other governmental units	2,051,054
Inventories	146,670
Prepaids	51,717
Total current assets	6,326,356
Noncurrent assets	
Capital assets not being depreciated	235,344
Capital assets, net of accumulated depreciation	3,523,683
Total noncurrent assets	3,759,027
TOTAL ASSETS	10,085,383
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	3,601,207
Deferred outflows of resources related to OPEB	298,299
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,899,506
LIABILITIES	
Current liabilities	
Accounts payables	661,898
Accrued liabilities	629,764
Due to other governmental units	967,673
Unearned revenue	755,598
Current portion of long-term liabilities	28,638
Total current liabilities	3,043,571
Noncurrent liabilities	
Noncurrent portion of long-term liabilities	279,412
Net pension liability	15,633,674
Net OPEB liability	5,376,200
Total noncurrent liabilities	21,289,286
TOTAL LIABILITIES	24,332,857
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	3,187,734
Deferred inflows of resources related to OPEB	182,249
TOTAL DEFERRED INFLOWS OF RESOURCES	3,369,983
NET POSITION	
Net investment in capital assets	3,759,027
Restricted	
Food service	14,338
Fiber consortium	150,000
Unrestricted	(17,641,316)
TOTAL NET POSITION	$ (13,717,951)

See accompanying notes to financial statements.

Hillsdale County Intermediate School District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
Governmental Activities				
Instruction	$ 3,070,350	$ -	$ 2,464,048	$ (606,302)
Support Services	7,351,564	566,923	4,348,166	(2,436,475)
Community Services	52,495	-	120,884	68,389
Interdistrict payments and other transactions	1,969,592	353,342	-	(1,616,250)
Interest on long-term debt	553	-	-	(553)
Unallocated depreciation	280,826	-	-	(280,826)
TOTAL	$ 12,725,380	$ 920,265	$ 6,933,098	(4,872,017)

General Revenues	
Taxes	
Property taxes, levied for general purposes	291,396
Property taxes, levied for special education	3,269,211
Property taxes, levied for vocational education	971,828
Other taxes	26,380
State aid unrestricted	601,776
Interest and investment earnings	18,065
Miscellaneous	264,512
TOTAL GENERAL REVENUES	5,443,168
CHANGE IN NET POSITION	571,151
Restated net position, beginning of year	(14,289,102)
Net position, end of year	$ (13,717,951)

See accompanying notes to financial statements.

Hillsdale County Intermediate School District

Governmental Funds

BALANCE SHEET

June 30, 2018

		Special Revenue Funds	
	General Education	Special Education	Vocational Education
ASSETS			
Cash and cash equivalents	$ 606,179	$ 1,626,711	$ 507,495
Taxes receivable	1,383	15,511	4,611
Accounts receivable	464	37,126	7,540
Due from other governmental units	1,010,486	847,894	186,731
Due from other funds	176,684	16,367	37,019
Inventories	994	8,948	136,728
Prepaids	17,856	29,750	4,111
TOTAL ASSETS	$ 1,814,046	$ 2,582,307	$ 884,235
LIABILITIES			
Accounts payable	$ 261,783	$ 201,631	$ 194,790
Accrued liabilities	14,120	516,391	99,253
Due to other governmental units	749,186	99,797	84,633
Due to other funds	8,276	108,716	83,188
Unearned revenue	247,995	449,828	31,417
TOTAL LIABILITIES	1,281,360	1,376,363	493,281
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	593	6,652	1,977
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,281,953	1,383,015	495,258
FUND BALANCES			
Nonspendable			
Inventories	994	8,948	136,728
Prepaids	17,856	29,750	4,111
Restricted			
Special education	-	1,160,594	-
Vocational education	-	-	248,138
Food service	-	-	-
Fiber consortium	-	-	-
Committed			
Capital projects	-	-	-
Assigned			
Subsequent years' expenditures	50,176	-	-
Unassigned	463,067	-	-
TOTAL FUND BALANCES	532,093	1,199,292	388,977
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,814,046	$ 2,582,307	$ 884,235

See accompanying notes to financial statements.

Capital Projects Fund Vocational Education	Nonmajor Governmental Funds	Total
$ 765,119	$ 504,583	$ 4,010,087
-	-	21,505
-	193	45,323
-	5,943	2,051,054
-	16,754	246,824
-	-	146,670
-	-	51,717
$ 765,119	$ 527,473	$ 6,573,180
$ -	$ 3,694	$ 661,898
-	-	629,764
-	34,057	967,673
413	46,231	246,824
-	26,358	755,598
413	110,340	3,261,757
-	-	9,222
413	110,340	3,270,979
-	-	146,670
-	-	51,717
-	-	1,160,594
-	-	248,138
-	14,338	14,338
-	150,000	150,000
764,706	252,795	1,017,501
-	-	50,176
-	-	463,067
764,706	417,133	3,302,201
$ 765,119	$ 527,473	$ 6,573,180

Hillsdale County Intermediate School District

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

June 30, 2018

Total fund balances - governmental funds		$ 3,302,201
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 7,469,939	
Accumulated depreciation is	(3,710,912)	
		3,759,027
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		
Unavailable revenue - property taxes		9,222
Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. Contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, net differences between projected and actual plan investment earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions will be deferred over time in the government-wide financial statements. These amounts consist of:		
Deferred outflows of resources related to pensions	3,601,207	
Deferred inflows of resources related to pensions	(3,187,734)	
Deferred outflows of resources related to OPEB	298,299	
Deferred inflows of resources related to OPEB	(182,249)	
		529,523
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Compensated absences	(308,050)	
Net pension liability	(15,633,674)	
Net OPEB liability	(5,376,200)	
		(21,317,924)
Net position of governmental activities		$ (13,717,951)

See accompanying notes to financial statements.

Hillsdale County Intermediate School District

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2018

		Special Revenue Funds	
	General Education	Special Education	Vocational Education
REVENUES			
Local sources	$ 414,115	$ 3,811,236	$ 1,218,102
State sources	2,376,279	2,303,772	533,740
Federal sources	106,264	1,500,502	583,590
Interdisctrict sources	276,584	30,314	-
TOTAL REVENUES	3,173,242	7,645,824	2,335,432
EXPENDITURES			
Current			
Instruction	11,881	2,261,626	915,156
Supporting services	1,591,012	5,056,013	842,994
Community services	52,235	3,404	-
Capital outlay	12,251	108,989	116,490
Debt service	40,783	-	-
Payments to other districts	1,404,475	47,566	517,551
TOTAL EXPENDITURES	3,112,637	7,477,598	2,392,191
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	60,605	168,226	(56,759)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	27,267	-	156,000
Transfers to other funds	(51,668)	(36,412)	(162,617)
TOTAL OTHER FINANCING SOURCES (USES)	(24,401)	(36,412)	(6,617)
NET CHANGE IN FUND BALANCES	36,204	131,814	(63,376)
Fund balances, beginning of year	495,889	1,067,478	452,353
Fund balances, end of year	$ 532,093	$ 1,199,292	$ 388,977

See accompanying notes to financial statements.

Capital Projects Fund Vocational Education	Nonmajor Governmental Funds	Total
$ 1,843	$ 80,933	$ 5,526,229
-	-	5,213,791
-	18,740	2,209,096
-	46,444	353,342
1,843	146,117	13,302,458
-	-	3,188,663
-	147,522	7,637,541
-	-	55,639
11,432	7,981	257,143
-	-	40,783
-	-	1,969,592
11,432	155,503	13,149,361
(9,589)	(9,386)	153,097
156,000	67,430	406,697
(156,000)	-	(406,697)
-0-	67,430	-0-
(9,589)	58,044	153,097
774,295	359,089	3,149,104
$ 764,706	$ 417,133	$ 3,302,201

Hillsdale County Intermediate School District

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

Year Ended June 30, 2018

Net change in fund balances - total governmental funds		$ 153,097
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 257,143	
Depreciation expense	(280,826)	
Excess of depreciation expense over capital outlay		(23,683)
The loss on disposal of capital assets is reported in the statements of activities. The loss is not a use of current resources and thus is not reported in the funds.		(209,121)
Some revenues reported in the statement of activities are reported as earned, and do not meet the criteria of being current financial resources as required to be reported in the governmental funds. In the current period, these amounts consist of:		
(Decrease) in unavailable revenue		(5,927)
Repayment of long-term debt is reported as expenditures in governmental funds, but the repayments reduce long-term liabilities in the statement of net position. In the current year, these amounts consist of:		
Principal payments on long-term liabilities		40,230
Some items reported in the statement of activities do not require the use of or provide current financial resources and, therefore, are not reported as expenditures or revenues in governmental funds. In the current period, these amounts consist of:		
Decrease in compensated absences	5,360	
Decrease in net pension liability	1,235,102	
Change in deferred outflows of resources related to pensions	1,609,660	
Change in deferred inflows of resources related to pensions	(2,248,210)	
Decrease in net OPEB liability	294,500	
Change in deferred outflows of resources related to OPEB	(97,608)	
Change in deferred inflows of resources related to OPEB	(182,249)	
		616,555
Change in net position of governmental activities		$ 571,151

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Hillsdale County Intermediate School District (the "District") accounts for its financial transactions in accordance with policies and procedures of the Michigan Department of Education's Michigan Public School Accounting Manual. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the District. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

The District was established under the constitution and statutes of the State of Michigan and is located in the County of Hillsdale. The governing authority consists of five elected officials who, together, constitute the Board of Education. The District provides services to local school districts throughout Hillsdale County, including basic education, special education, and vocational education. The District's combined financial statements include the accounts of all its operations.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide statements) present information for the district as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State aid payments, and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes governmental funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. A separate column is shown for each major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column.

The major governmental funds of the District are:

General Education Fund - is the District's primary operating fund. It accounts for all financial resources of the general government and not required to be reported in another fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

FUND FINANCIAL STATEMENTS - CONTINUED

Special Education (Special Revenue) Fund - is considered a Special Revenue fund and is used to account for all financial resources restricted for the operation of special education programs of the District.

Vocational Education (Special Revenue) Fund - is considered a Special Revenue fund and is used to account for all financial resources restricted for the operation of the vocational and technical programs of the District.

Vocational Education (Capital Projects) Fund - is used to account for the capital projects of the vocational and technical programs of the District.

3. Measurement Focus

The district-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources, when applicable, are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty (60) days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the District’s practice to use restricted resources first, the unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue funds. The District does not maintain a formalized encumbrance accounting system. All unexpended appropriations lapse or are liquidated on June 30.

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

a. The Administration submits to the School Board a proposed operating budget for the fiscal year commencing on July 1st. The operating budget includes proposed expenditures and the means for financing them.

b. Pursuant to Section 380.624 of the Revised School Code the General Fund budget is released to the various Local Educational Association (LEA) boards by May 1 to obtain comments and approvals from each board of education before the District's School Board approves the current year budget at its June meeting.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). 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 not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.

d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.

e. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Capital Projects funds.

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

6. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on-hand, demand deposits, certificates of deposit, and governmental pooled investment funds with original maturities of three (3) months or less from the date of acquisition. These funds are recorded at market (fair) value. The governmental pooled investment funds have the general characteristics of demand deposit accounts in that the District may deposit additional cash at any time and effectively withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

7. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Due from Other Governmental Units

Due from other governmental units consist of various amounts owed to the District for grant programs, State Aid payments, and other purposes. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2018, to be paid in July and August 2018. Of the total amount of $2,051,054 due from other governmental units in the primary government on the district-wide financial statements, $876,256 consists of State Aid and the remaining $1,174,798 from other governmental grants and local programs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

9. Inventories

Inventory in the General Fund and Special Revenue (Special Education and Vocational Education) Funds, represent purchased supplies held for consumption which are reported at the lower of cost, determined by the first-in, first-out (FIFO) method, or market. Inventory in the Vocational Education Fund (Special Revenue Fund) also represents building materials and land to be used for the Student Home Building Program, which are reported at lower of cost, determined by the first-in, first-out (FIFO) method, or market. Inventories are equally offset by a nonexpendable fund balance which indicates that they do not constitute expendable available financial resources, even though they are a component of fund balance.

10. Prepaids

Prepaids consist of amounts paid in the current year that pertain to the following fiscal year. Nonexpendable fund balances have been recorded in the applicable funds to indicate that prepaids are not currently available, spendable components of fund balance.

11. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of $5,000 or more and an estimated life in excess of one (1) year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in the governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District has no assets that would be classified as infrastructure assets.

Property, buildings, equipment, and vehicles of the District are depreciated using the straight-line method over the estimated useful lives:

Buildings and improvements	20-50 years
Furniture and equipment	5-20 years
Buses and other vehicles	8 years

12. 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 (2) items that qualify for reporting in this category. They are the deferred outflows related to pension, and deferred outflows related to other postemployment benefits related items reported in the government-wide statement of net position. These amounts are expensed in the plan year in which they apply.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

13. 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 three items that qualifies for reporting in this category. The first 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 second and third 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.

14. Severance Payable

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Compensated absences consist of earned but unused accumulated sick leave benefits and related payroll taxes. In accordance with contracts negotiated with the various employee groups of the District, individual employees have vested rights upon termination of employment to receive payment for unused sick leave under formulas and conditions specified in the contracts. All vested sick leave is accrued when incurred in the district-wide fund financial statements. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

15. 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.

16. Unearned Revenue

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also presented as unearned. These same amounts have been shown as “unearned revenue” on the Statement of Net Position/Balance Sheet to indicate that the revenue has not been recognized because it has not been earned.

17. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are assessed as of December 31st and the related property taxes become a lien on December 1st of the following year. These taxes are billed on the lien date of December 1st and are due by February 28th of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. District property tax revenues are recognized when levied to the extent that they result in the current revenue (collected as of year-end). Amounts received subsequent to June 30th are recognized as revenue when collected. The District is permitted by the Constitution of the State of Michigan of 1963 to levy taxes up to $50 per $1,000 of assessed valuation for general government services other than the payment of Special Education, Vocational Education, and Debt Service Fund expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

17. Property Taxes - continued

The District levied the following taxes on applicable property within Hillsdale County of $.2674 per $1,000 of taxable valuation for the General Fund, $3.0000 per $1,000 of taxable valuation for the Special Education Fund and $.8918 per $1,000 of taxable valuation for the Vocational Education. Total 2017 taxable value of the District, which was used for the basis of the tax revenue for the applicable funds, was $1,092,313,624.

18. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. 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 year ended June 30, 2018, the foundation allowance was based on the average of pupil membership counts taken in October 2017 and February 2017. The average calculation was weighted 90% for the October 2017 count and 10% for the February 2017 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18.0000 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payment made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

19. Federal Programs

Federal programs are accounted for in the specific governmental fund to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under a separate cover as supplementary information to the financial statements.

20. Restrictions of Net Position

Restrictions of net position shown in the district-wide financial statements indicate restrictions that have been imposed by outside sources which preclude a portion of net position from their use for unrestricted purposes.

21. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2 - CASH AND CASH EQUIVALENTS:

In accordance with Michigan Public Act 132 of 1986, as amended, the District is authorized to invest its surplus funds in the following types of investments:

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

b. Certificates of deposit and the Certificate of Deposit Account Registry Service investments (CDARS) issued by a state or national bank, savings account of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in the State.

NOTE 2 - CASH AND CASH EQUIVALENTS - CONTINUED:

c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

d. Securities issued or guaranteed by agencies or instrumentalities of the United States government.

e. United States government or federal agency obligation repurchase agreements.

f. Bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation (FDIC).

g. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a District.

h. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a District.

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

Deposits

There is custodial credit risk as it relates to 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, 2018, the carrying amount of the District's deposits was $3,003,941 and the bank balance was $3,031,535, of which $2,537,005 was covered by federal depository insurance. The balance of $494,530 was uninsured and uncollateralized.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution it deposits District Funds with and assesses the level of risk of each institution. The District uses only those financial institutions with an acceptable estimated risk level as depositories.

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

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 quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

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

NOTE 2 - CASH AND CASH EQUIVALENTS - CONTINUED:

Cash Equivalents

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The District participates in the Michigan Liquid Asset Fund Plus (MILAF+), the portfolio securities are valued at amortized cost, which approximates the current fair value of a security. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. It is MILAF+'s policy to compare amortized cost and fair values of the securities periodically throughout each month and as of the last business day of each month. Fair value is determined by reference to quoted market prices. MILAF+'s annual financial statement may be obtained at www.milaf.org. As of June 30, 2018, the District has $1,006,046 invested with MILAF+.

MILAF+ portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Money market securities are valued using amortized cost, as outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by the MILAF+ Portfolio are categorized as Level 2.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2018, the MILAF+ investments were rated AAAm by Standard and Poor's.

Interest Rate Risk

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 designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. As of June 30, 2018, the MILAF+ investments had a weighted average maturity (WAM) of < 60 days.

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 designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial Credit Risk

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the District will do business with in accordance with Board approved policy.

The securities of MILAF+ are safely kept with a third party selected counterparty. However, MILAF+'s securities are held in trust for the participants of MILAF+ and are not available to the counterparty if the counterparty should happen to fail.

NOTE 2 - CASH AND CASH EQUIVALENTS - CONTINUED:

The investments in MILAF+ have been reported in the financial statements as cash equivalents because they have the general characteristics of demand deposit accounts in that the District may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

As of June 30, 2018, the cash and cash equivalents referred to above have been reported in the cash and cash equivalents caption in the basic financial statements in the following categories:

	Governmental Activities
Cash and cash equivalents	$ 4,010,087

The District also had $100 of imprest cash on hand.

NOTE 3 - CAPITAL ASSETS:

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

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Capital assets not being depreciated				
Land	$ 332,275	$ -	$ (108,363)	$ 223,912
Construction in progress	-	11,432	-	11,432
Total capital assets not being depreciated	332,275	11,432	(108,363)	235,344
Capital assets being depreciated				
Buildings and improvements	4,956,509	-	(198,016)	4,758,493
Furniture and equipment	965,223	136,722	(5,570)	1,096,375
Buses and other vehicles	1,270,738	108,989	-	1,379,727
Total capital assets being depreciated	7,192,470	245,711	(203,586)	7,234,595
Less accumulated depreciation				
Buildings and improvements	(1,845,178)	(124,388)	98,561	(1,871,005)
Furniture and equipment	(868,136)	(53,187)	4,267	(917,056)
Buses and other vehicles	(819,600)	(103,251)	-	(922,851)
Total accumulated depreciation	(3,532,914)	(280,826)	102,828	(3,710,912)
Total capital assets being depreciated, net	3,659,556	(35,115)	(100,758)	3,523,683
Capital assets, net	$ 3,991,831	$ (23,683)	$ (209,121)	$ 3,759,027

The current year depreciation expense of $280,826 was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

NOTE 4 - UNEARNED/UNAVAILABLE REVENUE:

The District reports deferred inflows of resources in the fund level financial statements related to funds in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (i.e., uncollected property taxes). Since these amounts are considered revenue to the District in the year of levy on the full accrual basis of accounting they are not reflected as deferred inflows of resources in the government-wide financial statements. The District also reflects unearned revenue in connection with resources that have been received but not earned in the government-wide and fund level financial statements.

At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue were as follows:

Governmental Funds	Unavailable	Unearned
Grants received prior to meeting all eligibility requirements	$ -	$ 755,598
Uncollected taxes	9,222	-
	$ 9,222	$ 755,598

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:

The composition of interfund balances at June 30, 2018, are as follows:

	Due from other funds	Due to other funds
General Education Fund		
Special Education (Special Revenue) Fund	$ 92,666	$ 7,924
Vocational Education (Special Revenue) Fund	82,836	-
Nonmajor Governmental Funds	1,182	352
	176,684	8,276
Special Education (Special Revenue) Fund		
General Education Fund	7,924	92,666
Nonmajor Governmental Funds	8,443	16,050
	16,367	108,716
Vocational Education (Special Revenue) Fund		
General Education Fund	-	82,836
Vocational Education (Capital Projects) Fund	413	-
Nonmajor Governmental Funds	36,606	352
	37,019	83,188
Vocational Education (Capital Projects) Fund		
Vocational Education (Special Revenue) Fund	-	413
Nonmajor Governmental Funds		
General Education Fund	352	1,182
Special Education (Special Revenue) Fund	16,050	8,443
Vocational Education (Special Revenue) Fund	352	36,606
	16,754	46,231
	$ 246,824	$ 246,824

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES - CONTINUED:

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE 6 - INTERFUND TRANSFERS:

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

	Transfers from other funds	Transfer to other funds
General Education Fund		
Special Education (Special Revenue) Fund	$ 20,789	$ -
Vocational Education (Special Revenue) Fund	6,478	-
Nonmajor Governmental Funds	-	51,668
	27,267	51,668
Special Education (Special Revenue) Fund		
General Education Fund	-	20,789
Nonmajor Governmental Funds	-	15,623
	-0-	36,412
Vocational Education (Special Revenue) Fund		
General Education Fund	-	6,478
Nonmajor Governmental Funds	156,000	156,139
	156,000	162,617
Vocational Education (Capital Projects) Fund		
Vocational Education (Special Revenue) Fund	156,000	156,000
Nonmajor Governmental Funds		
General Education Fund	51,668	-
Special Education (Special Revenue) Fund	15,623	-
Vocational Education (Special Revenue) Fund	139	-
	67,430	-0-
	$ 406,697	$ 406,697

The transfers from the General Education, Special Education, and Vocational Education Funds (i.e., the major funds) to the nonmajor and other individual major and nonmajor funds were to fund appropriations, to pay for services provided, and to reallocate funds to cover the costs of future capital improvements.

NOTE 7 - LONG TERM DEBT:

The following is a summary of changes in the long-term debt obligations for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Bank Loan - Lochaven	$ 40,230	$ -	$ (40,230)	$ -0-	$ -
Compensated Absences	313,410	23,776	(29,136)	308,050	28,638
	$ 353,640	$ 23,776	$ (69,366)	$ 308,050	$ 28,638

Significant details regarding outstanding long-term debt (including current portions) are presented below:

Compensated Absences

In accordance with District personnel policies and/or contracts negotiated with various employee groups of the District, individual employees have vested rights upon termination of employment to receive payment for unused sick and personal leave under formulas and conditions specified in their personnel policies and/or contracts. The dollar amount of these vested rights, including payroll taxes, amount to $308,050 as of June 30, 2018. These amounts have been reported as current and noncurrent liabilities in the statement of net position based on expected usage.

NOTE 8: RETIREMENT AND POST EMPLOYMENT 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/mpsers-cafr.

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

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

NOTE 8: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED:

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%. 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%.

Pension Reform 2010

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

Pension Reform 2012

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

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

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

> Option 1: Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.
>
> - Basic plan members: 4% contribution
> - Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution
>
> Option 2: Members voluntarily elected to increase their contribution to the pension fund as stated in Potion 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.

NOTE 8: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED:

Pension Reform 2012 - continued

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 199% 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 (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, 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.

NOTE 8: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED:

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.

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 Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

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

NOTE 8: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED:

Employer Contributions - continued

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

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

The District's pension contributions for the year ended June 30, 2018, were equal to the required contribution total. Pension contributions were approximately $1,696,134, with $1,670,455 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2018, were equal to the required contribution total. OPEB benefits were approximately $391,882, with $366,451 specifically for the Defined Benefit Plan.

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, 2018, the District reported a liability of $15,633,674 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.06032848 percent.

MPSERS (Plan) Non-University Employers		September 30, 2017
Total Pension Liability	$	72,407,218,688
Plan Fiduciary Net Position		46,492,967,561
Net Pension Liability		25,914,251,127
Proportionate Share		0.06032848%
Net Pension Liability for the District	$	15,633,674

For the year ended June 30, 2018, the District recognized pension expense of $1,295,221.

NOTE 8: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED:

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

Pension Liabilities - continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 310,025	$ 1,640,323
Differences between expected and actual experience	135,867	76,711
Changes of assumptions	1,712,793	-
Net differences between projected and actual plan investment earnings	-	747,392
State aid related to pensions	-	723,308
District's contributions subsequent to the measurement date	1,442,522	-
	$ 3,601,207	$ 3,187,734

$1,442,522, 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. $723,308, reported as deferred inflows of resources under the caption “state aid related to pensions” will be recognized as an increase in state aid revenue during the year end ended June 30, 2019.

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

Year Ending September 30,	Amount
2018	$ (40,436)
2019	176,545
2020	(208,550)
2021	(233,300)

NOTE 8: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED:

Defined Contribution Pension Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of any employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contribution for the year ended June 30, 2018, was $25,679.

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

OPEB Liabilities

At June 30, 2018, the District reported a liability of $5,376,200 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.06071049 percent.

MPSERS (Plan) Non-University Employers		September 30, 2017
Total Other Postemployment Benefit Liability	$	13,920,945,991
Plan Fiduciary Net Position		5,065,474,936
Net Other Postemployment Benefit Liability		8,855,471,055
Proportionate Share		0.06071049%
Net Other Postemployment Benefit Liability for the District	$	5,376,200

For the year ended June 30, 2018, the District recognized OPEB expense of $359,490.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ -	$ 494
Differences between expected and actual experience	-	57,241
Net differences between projected and actual plan investment earnings	-	124,514
District's contributions subsequent to the measurement date	298,299	-
	$ 298,299	$ 182,249

$298,299, 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.

NOTE 8: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED:

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

OPEB Liabilities - continued

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

Year Ending September 30,	Amount
2018	$ (44,032)
2019	(44,032)
2020	(44,032)
2021	(44,032)
2022	(6,121)

Defined Contribution OPEB Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of any employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contribution for the year ended June 30, 2018 was $25,431.

Actuarial Assumptions

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

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

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

Inflation: 3.0%

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

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

NOTE 8: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED:

Actuarial Assumptions - continued

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments: The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare Cost Trend Rate for Other Postemployment Benefit: 7.5% for year one and graded to 3.5% to year twelve.

Additional Assumptions for Other Postemployment Benefit Only: Applies to individuals hired before September 4, 2012:

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

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

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

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

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

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

NOTE 8: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED:

Actuarial Assumptions - continued

Pension Discount rate: The discount rate used to measure the total pension liability was 7.5% (7.0% for Pension Plus Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that plan members 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.

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

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

	Pension		
	1% Decrease (6.5% / 6.0%)	Discount Rate (7.5% / 7.0%)	1% Increase (8.5% / 8.0%)
District's proportionate share of the net pension liability	$ 20,365,477	$ 15,633,674	$ 11,649,797

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net other postemployment benefit liability	$ 6,297,084	$ 5,376,200	$ 4,594,658

NOTE 8: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED:

Actuarial Assumptions - continued

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the District’s proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the District’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 Benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
District's proportionate share of the net other postemployment benefit liability	$ 4,552,919	$ 5,376,200	$ 6,310,978

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 2017 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).

Other Information

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee’s employment contracts by involuntarily reducing the employee’s wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Clams judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately $554 million (including interest), was posted as a liability on the plan’s CAFR report.

NOTE 9 - DETAILS OF FUND BALANCE CLASSIFICATIONS:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government’s highest level of decision making authority (i.e., Board, Council, etc.).

NOTE 9 - DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED:

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through a formal action and approval by the Board of Education and committed fund balances do not lapse at year end.

For assigned fund balance, the Board of Education is authorized to assign amounts to a specific purpose. The authorization is delegated by the Board of Education to the District's Superintendent.

For the classification of fund balances, the District considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

If/when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources if they are needed.

NOTE 10 - CONTINGENT LIABILITIES:

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to monitoring by the grantor agencies. Any disallowed claims resulting from such monitoring could become a liability to the District. However, in the opinion of administration, any such disallowed claims will not have a material effect on the financial statements of the District at June 30, 2018.

NOTE 11 - RISK MANAGEMENT:

The District participates in the MASB-SEG Property and Casualty Pool with other districts for property, builder's risk, crime, employee dishonesty, equipment breakdown (boiler and machinery), inland marine, data breach, terrorism and violent acts, general liability, fleet coverage, and errors and omissions. The pool organized under Public Act 138 is composed of school districts through the State of Michigan who pay annual premiums based on the level of coverage, experience, deductible levels, etc. The pool retains the first $500,000 coverage for each individual claim with reinsurance for amounts in excess of that amount. In years when premiums exceed the claims and other costs, refunds are given based on a number of criteria, including those mentioned above. Should the plan need additional funding they could also assess its member's additional charges. The District has not been informed of any special assessments being required.

The District also participates in the SEG Self-Insurer Workers' Compensation Fund for claims relating to Workers' Compensation losses. The pool also operates as a common risk sharing management program for School Districts in Michigan. Member's premiums are used to purchase commercial excess insurance and to pay member claims in excess of deductible amounts. The District has not been informed of any special assessments being required. The District continues to carry commercial health insurance.

NOTE 11 - RISK MANAGEMENT - CONTINUED:

There were no significant reductions in insurance coverage in the current fiscal year and no insurance settlements exceeding insurance coverage.

NOTE 12 - SUMMARY OF SIGNIFICANT COMMITMENTS:

Leases

The District leases certain buildings and other equipment under non-cancelable operating leases. Total costs for such leases for the District for the year ended June 30, 2018, were $35,449.

The future minimum lease payments as of June 30, 2018, are as follows:

Year Ending June 30,	
2019	$ 10,543
2020	6,444
2021	6,444
2022	1,074
	$ 24,505

NOTE 13 - TAX ABATEMENTS:

Municipalities within the District's boundaries entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) (IFT) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at 50% of the property tax bill for new property. For rehabilitation properties, the taxable values can be frozen.

In addition, municipalities within the District's boundaries entered into property tax abatement agreements with local businesses under the Commercial Rehabilitation Act (CRE), PA 210 of 2005, as amended. PA 210 affords a tax incentive for the rehabilitation of commercial property for the primary and use of a commercial business or multi-family residential facility.

In addition, municipalities within the District's boundaries entered into property tax abatement agreements with local businesses under the Obsolete Property Rehabilitation Act (OPRA), PA 146 of 2000 (Brownfield), as amended. PA 146 provides property tax exemptions for commercial and commercial housing properties that are rehabilitated and meet the requirements of the Act.

NOTE 13 - TAX ABATEMENTS - CONTINUED:

For the year ended June 30, 2018, the District's property tax revenue for general operations was reduced under these programs. Provisions to recapture taxes depend on the individual agreements. The following table breaks down the District's tax abatement:

	IFT	CRE	OPRA	TOTAL
Allen Township	$ 44,482	$ -	$ -	$ 44,482
Fayette Township	4,872	-	-	4,872
Pittsford Township	606	-	-	606
Somerset Township	442	-	-	442
City of Hillsdale	4,860	8,251	2,891	16,002
City of Jonesville	16,750	1,105	-	17,855
City of Litchfield	18,295	-	-	18,295
City of Reading	9,312	-	-	9,312
	$ 99,619	$ 9,356	$ 2,891	$ 111,866

NOTE 14: NEW ACCOUNTING STANDARDS:

For the year ended June 30, 2018, the District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Summary

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

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

	Governmental Activities
Net position as previously stated on July 1, 2017	$ (9,014,309)
Adoption of GASB Statement 75	
Net other postemployment benefit liability	(5,670,700)
Deferred outflows of resources related to subsequent other post employment benefits contributions	395,907
Net position as restated on July 1, 2017	$ (14,289,102)

NOTE 14: NEW ACCOUNTING STANDARDS:

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No 73,* was implemented during this year. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activity for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases 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. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018-2019 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Hillsdale County Intermediate School District

General Education Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 314,016	$ 432,434	$ 414,115	$ (18,319)
State sources	2,143,987	2,575,537	2,376,279	(199,258)
Federal sources	-	237,614	106,264	(131,350)
Interdistrict sources	350,126	285,824	276,584	(9,240)
TOTAL REVENUES	2,808,129	3,531,409	3,173,242	(358,167)
EXPENDITURES				
Current				
Instruction				
Basic programs	11,500	12,284	11,881	403
Added needs	-	1,076	-	1,076
Total instruction	11,500	13,360	11,881	1,479
Supporting services				
Pupil	56,200	105,882	92,578	13,304
Instructional staff	577,888	578,486	439,967	138,519
General administration	189,576	260,093	253,152	6,941
Business services	348,207	301,498	303,939	(2,441)
Operations and maintenance	134,567	140,594	140,831	(237)
Central - personnel services	346,768	469,672	332,967	136,705
Other	-	50,127	27,578	22,549
Total supporting services	1,653,206	1,906,352	1,591,012	315,340
Community services	-	106,182	52,235	53,947
Capital outlay	-	12,251	12,251	-0-
Debt service	-	41,082	40,783	299
Payments to other districts	1,175,973	1,503,623	1,404,475	99,148
TOTAL EXPENDITURES	2,840,679	3,582,850	3,112,637	470,213
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(32,550)	(51,441)	60,605	112,046
OTHER FINANCING SOURCES (USES)				
Transfer in	10,503	14,449	27,267	12,818
Transfers out	(5,745)	(55,006)	(51,668)	3,338
TOTAL OTHER FINANCING SOURCES (USES)	4,758	(40,557)	(24,401)	16,156
NET CHANGE IN FUND BALANCE	(27,792)	(91,998)	36,204	128,202
Fund balance, beginning of year	495,889	495,889	495,889	-0-
Fund balance, end of year	$ 468,097	$ 403,891	$ 532,093	$ 128,202

Hillsdale County Intermediate School District

Special Education (Special Revenue) Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 3,822,085	$ 3,940,186	$ 3,811,236	$ (128,950)
State sources	2,559,460	2,208,130	2,303,772	95,642
Federal sources	1,907,227	1,645,316	1,500,502	(144,814)
Interdistrict sources	12,699	30,275	30,314	39
TOTAL REVENUES	8,301,471	7,823,907	7,645,824	(178,083)
EXPENDITURES				
Current				
Instruction				
Added needs	2,800,988	2,247,433	2,261,626	(14,193)
Supporting services				
Pupil	2,746,207	2,804,637	2,578,603	226,034
Instructional staff	175,827	220,076	436,695	(216,619)
General administration	63,504	70,185	63,044	7,141
School administration	293,121	509,766	222,307	287,459
Business services	348,688	309,805	299,317	10,488
Operations and maintenance	365,291	397,685	333,162	64,523
Pupil transportation services	792,744	682,825	621,533	61,292
Central - personnel services	570,379	472,793	501,352	(28,559)
Total supporting services	5,355,761	5,467,772	5,056,013	411,759
Community services	448	10,955	3,404	7,551
Capital outlay	-	108,989	108,989	-0-
Payments to other districts	29,774	44,685	47,566	(2,881)
TOTAL EXPENDITURES	8,186,971	7,879,834	7,477,598	402,236
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	114,500	(55,927)	168,226	224,153
OTHER FINANCING SOURCES (USES)				
Transfers in	2,268	-	-	-0-
Transfers out	(21,454)	(26,454)	(36,412)	(9,958)
TOTAL OTHER FINANCING SOURCES (USES)	(19,186)	(26,454)	(36,412)	(9,958)
NET CHANGE IN FUND BALANCE	95,314	(82,381)	131,814	214,195
Fund balance, beginning of year	1,067,478	1,067,478	1,067,478	-0-
Fund balance, end of year	$ 1,162,792	$ 985,097	$ 1,199,292	$ 214,195

Hillsdale County Intermediate School District

Vocational Education (Special Revenue) Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 992,324	$ 1,251,209	$ 1,218,102	$ (33,107)
State sources	345,215	517,692	533,740	16,048
Federal sources	643,426	583,590	583,590	-0-
TOTAL REVENUES	1,980,965	2,352,491	2,335,432	(17,059)
EXPENDITURES				
Current				
Instruction				
Added needs	801,503	960,231	915,156	45,075
Supporting services				
Pupil	1,000	61,440	60,261	1,179
Instructional staff	72,760	161,374	159,291	2,083
General administration	44,935	45,278	42,287	2,991
School administration	137,799	126,817	123,107	3,710
Business services	86,822	78,569	81,460	(2,891)
Operations and maintenance	115,865	151,416	147,670	3,746
Pupil transportation services	600	600	136	464
Central - personnel services	220,615	233,443	228,782	4,661
Total supporting services	680,396	858,937	842,994	15,943
Capital outlay	-	116,490	116,490	-0-
Payments to other districts	546,895	511,071	517,551	(6,480)
TOTAL EXPENDITURES	2,028,794	2,446,729	2,392,191	54,538
EXCESS OF REVENUES (UNDER) EXPENDITURES	(47,829)	(94,238)	(56,759)	37,479
OTHER FINANCING SOURCES (USES)				
Transfers in	-	156,000	156,000	-0-
Transfers out	(5,942)	(161,942)	(162,617)	(675)
TOTAL OTHER FINANCING SOURCES (USES)	(5,942)	(5,942)	(6,617)	(675)
NET CHANGE IN FUND BALANCE	(53,771)	(100,180)	(63,376)	36,804
Fund balance, beginning of year	452,353	452,353	452,353	-0-
Fund balance, end of year	$ 398,582	$ 352,173	$ 388,977	$ 36,804

Hillsdale County Intermediate School District

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Four Measurement Dates (ultimately ten years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.06033%	0.06761%	0.06968%	0.06676%
District's proportionate share of net pension liability	$ 15,633,674	$ 16,868,776	$ 17,019,488	$ 14,705,695
District's covered-employee payroll	$ 6,729,182	$ 5,637,193	$ 5,886,686	$ 5,431,217
District's proportionate share of net pension liability as a percentage of its covered employee payroll	232.33%	299.24%	289.12%	270.76%
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%

Hillsdale County Intermediate School District

SCHEDULE OF PENSION CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Four Fiscal Years (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2018	2017	2016	2015
Statutorily required contributions	$ 1,670,455	$ 1,511,197	$ 1,548,793	$ 1,290,212
Contributions in relation to statutorily required contributions	1,670,455	1,511,197	1,548,793	1,290,212
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-
District's covered employee payroll	$ 6,718,276	$ 4,882,466	$ 5,832,692	$ 6,026,653
Contributions as a percentage of covered employee payroll	24.86%	30.95%	26.55%	21.41%

Hillsdale County Intermediate School District

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY

Michigan Public School Employee Retirement Plan

Last Measurement Date (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2017
District's proportion of net OPEB liability (%)	0.06071%
District's proportionate share of net OPEB liability	$ 5,376,200
District's covered-employee payroll	$ 6,729,182
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll	79.89%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

Hillsdale County Intermediate School District

SCHEDULE OF OPEB CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2018
Statutorily required contributions	$ 366,451
Contributions in relation to statutorily required contributions	366,451
Contribution deficiency (excess)	$ -0-
District's covered employee payroll	$ 6,718,276
Contributions as a percentage of covered employee payroll	5.45%

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the body of the required supplementary information to the financial statements, the District's budgeted expenditures in the General and Special Revenue Funds have been adopted and reported at the functional classification level.

During the year ended June 30, 2018, the District incurred expenditures in the General and certain Special Revenue Funds in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Education Fund			
Current			
Supporting services			
Business services	$ 301,498	$ 303,939	$ 2,441
Operations and maintenance	140,594	140,831	237
Special Education Fund			
Current			
Instruction			
Added needs	2,247,433	2,261,626	14,193
Supporting services			
Instructional staff	220,076	436,695	216,619
Central - personnel services	472,793	501,352	28,559
Payments to other districts	44,685	47,566	2,881
Transfers out	26,454	36,412	9,958
Vocational Education Fund			
Current			
Supporting services			
Business services	78,569	81,460	2,891
Payment to other districts	511,071	517,551	6,480
Transfers out	161,942	162,617	675

NOTE 2 - MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

Changes of benefit terms: There were no changes of benefit terms in plan year 2017.

Changes of assumptions: There were no changes of assumptions in plan year 2017.

OTHER SUPPLEMENTARY INFORMATION

Hillsdale County Intermediate School District

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2018

	Special Revenue Funds		Capital Projects Funds		
	Food Service	Fiber Consortium	General Education	Special Education	Total
ASSETS					
Cash and cash equivalents	$ -	$ 251,788	$ 81,490	$ 171,305	$ 504,583
Accounts receivable	193	-	-	-	193
Due from other governmental units	510	5,433	-	-	5,943
Due from other funds	15,346	1,408	-	-	16,754
TOTAL ASSETS	$ 16,049	$ 258,629	$ 81,490	$ 171,305	$ 527,473
LIABILITIES					
Accounts payable	$ 965	$ 2,729	$ -	$ -	$ 3,694
Due to other governmental units	746	33,311	-	-	34,057
Due to other funds	-	46,231	-	-	46,231
Unearned revenue	-	26,358	-	-	26,358
TOTAL LIABILITIES	1,711	108,629	-0-	-0-	110,340
FUND BALANCES					
Restricted					
Food service	14,338	-	-	-	14,338
Fiber consortium	-	150,000	-	-	150,000
Committed					
Capital projects	-	-	81,490	171,305	252,795
TOTAL FUND BALANCES	14,338	150,000	81,490	171,305	417,133
TOTAL LIABILITIES AND FUND BALANCES	$ 16,049	$ 258,629	$ 81,490	$ 171,305	$ 527,473

Hillsdale County Intermediate School District

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	Special Revenue Funds		Capital Projects Funds		
	Food Service	Fiber Consortium	General Education	Special Education	Total
REVENUES					
Local sources	$ 819	$ 79,416	$ 256	$ 442	$ 80,933
Federal sources	18,740	-	-	-	18,740
Interdistrict sources	-	46,444	-	-	46,444
TOTAL REVENUES	19,559	125,860	256	442	146,117
EXPENDITURES					
Current					
Supporting services					
Business services	28	5,672	-	-	5,700
Central - personnel services	-	112,762	-	-	112,762
Other	29,060	-	-	-	29,060
Total supporrting services	29,088	118,434	-0-	-0-	147,522
Capital outlay	-	7,981	-	-	7,981
TOTAL EXPENDITURES	29,088	126,415	-0-	-0-	155,503
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,529)	(555)	256	442	(9,386)
OTHER FINANCING SOURCES					
Transfers in	15,346	555	51,529	-	67,430
NET CHANGE IN FUND BALANCES	5,817	-0-	51,785	442	58,044
Fund balances, beginning of year	8,521	150,000	29,705	170,863	359,089
Fund balances, end of year	$ 14,338	$ 150,000	$ 81,490	$ 171,305	$ 417,133