

Monroe County  
Intermediate  
School District



Year Ended  
June 30, 2020

Financial  
Statements and  
Single Audit Act  
Compliance

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# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

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# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

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## INDEPENDENT AUDITORS' REPORT

November 17, 2020

Board of Education  
Monroe County Intermediate School District  
Monroe, 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 the *Monroe County Intermediate School District* (the "District"), as of and for the year ended June 30, 2020, 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.

### *Independent Auditors' Responsibility*

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

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

Rehmann is an independent member of Nexia International.



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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroe County Intermediate School District as of June 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and the special education fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Implementation of GASB Statement No. 84*

As described in Note 16, the District implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. Accordingly, beginning net position of governmental activities, beginning fund balance of the student/school activity special revenue fund, and the beginning net position of the fiduciary fund were restated. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefit plan, as listed 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 combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

This section of the Monroe County Intermediate School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### Financial Highlights

· Total net position	\$ (52,853,092)
· Change in total net position	(4,544,940)
· Fund balances, governmental funds	26,878,989
· Change in fund balances, governmental funds	1,184,559
· Unassigned fund balance, general fund	8,442,434
· Change in fund balance, general fund	705,491
· Capital assets, net	5,474,332

### Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, supporting services, community services, food services, and interdistrict payments.

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

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

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

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

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the fund financial statement section of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the Michigan Public School Employees' Retirement System (MPERS) pension and other postemployment benefit plan immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$52,853,092 at the close of the most recent fiscal year.

The District's investment in capital assets was \$5,474,332 at June 30, 2020. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

### The District as a Whole

The statement of net position provides the perspective of the District as a whole. A summary of the District's net position as of the current and prior fiscal years ended June 30 is as follows:

	Net Position	
	2020	2019
<b>Assets</b>		
Current and other assets	\$ 34,571,960	\$ 32,533,860
Capital assets, net	5,474,332	4,816,375
<b>Total assets</b>	<u>40,046,292</u>	<u>37,350,235</u>
<b>Deferred outflows</b>	<u>33,473,596</u>	<u>33,450,892</u>
<b>Liabilities</b>		
Current and other liabilities	113,960,613	106,939,403
Long-term debt	1,562,339	1,344,422
<b>Total liabilities</b>	<u>115,522,952</u>	<u>108,283,825</u>
<b>Deferred inflows</b>	<u>10,850,028</u>	<u>10,886,408</u>
<b>Net position</b>		
Investment in capital assets	5,474,332	4,816,375
Restricted	17,205,850	16,315,044
Unrestricted (deficit)	<u>(75,533,274)</u>	<u>(69,500,525)</u>
<b>Total net position</b>	<u>\$ (52,853,092)</u>	<u>\$ (48,369,106)</u>

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in fiscal year 2018. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPERS net pension liability and net other postemployment benefit liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of \$52,853,092. Of this amount, \$(75,533,274) is unrestricted net position (deficit) and \$17,205,850 represents resources that are subject to external restrictions on how they may be used. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the changes in net position for the fiscal year 2020.

	Change in Net Position	
	2020	2019
Program revenues		
Charges for services	\$ 65,562	\$ 47,041
Operating grants and contributions	32,037,916	30,316,419
General revenues		
Property taxes	28,840,809	27,674,168
Unrestricted state aid	1,639,398	1,623,166
Unrestricted investment earnings	155,980	129,082
Total revenues	<u>62,739,665</u>	<u>59,789,876</u>
Function/program expenses		
Instruction	21,151,445	19,240,632
Supporting services	29,497,471	27,016,760
Community services	1,184,952	1,143,482
Food services	152,944	191,601
Interdistrict payments	15,297,793	14,309,676
Total expenses	<u>67,284,605</u>	<u>61,902,151</u>
Change in net position	(4,544,940)	(2,112,275)
Net position, beginning of year	(48,369,106)	(46,256,831)
Restatement for implementation of GASB 84	60,954	-
Net position, end of year	<u>\$ (52,853,092)</u>	<u>\$ (48,369,106)</u>

### Change in Net Position

As reported in the statement of activities, the cost of all of our governmental activities this year was \$67,284,605. Certain activities were partially funded from those who benefited from the programs which totaled \$65,562. Activities funded by other governments and organizations that subsidized certain programs with grants and contributions totaled \$32,037,916. The District paid for the remaining "public benefit" portion of our governmental activities with \$28,840,809 in taxes, \$1,639,398 in unrestricted state aid, and with our other revenues, (i.e., interest and general entitlements). The District experienced a decrease in net position of \$4,544,940 during the current year. The decrease in net position was primarily due to an increase in pension related expenses.

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, state aid, and federal grants 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 resources.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

### Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$26,878,989, an increase of \$1,184,559 from the prior year. Approximately 31% of this total amount constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is nonspendable (\$52,902), restricted (\$16,982,445), committed (\$338,675), or assigned (\$1,062,533).

*General Fund.* The general fund is the chief operating fund of the District, and represents the District's unassigned fund balance. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,442,434. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 39% of total general fund expenditures.

During the current fiscal year, the fund balance in the District's general fund increased by \$705,491, as compared with the increase during the 2018-19 school year of \$393,073. This was primarily the result of operational adjustments to reduce expenditures during the unanticipated school closure due to COVID-19 and in anticipation of tax revenue declines.

*Special Education Fund.* During the current fiscal year, fund balance in the District's special education fund increased by \$1,134,940 and the ending fund balance was \$16,993,884. Fund balance increased due to increases in local taxes and Medicaid revenues. Interdistrict payments for those revenue items are reimbursement based and are a part of next year's calculations. The unanticipated school closure due to COVID-19 reduced certain spending in 2019-20 year and will be used in 2020-21 to restart operations and adjust to reopening spending plans.

### General Fund Budgetary Highlights

The original budget was modified during the year as additional information was known. Over the course of the year, the District revises its budget 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 statement showing the District's original and final budget amounts compared with amounts actually earned and incurred is provided in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.

Actual revenue was below final budgeted amounts by approximately \$1.8 million due primarily to revenue from state sources deferred as unearned at year end. Actual expenditures were less than final budgeted amounts by approximately \$2.9 million due to conservative budgeting practices by the District and unspent grant budgets that will be carried over to the next year.

### Special Education Fund Budgetary Highlights

The original budget was modified during the year as additional information was known. Actual revenues were below final budgeted amounts by approximately \$551,000 due to unspent grant budgets that will be carried over to the next year. Actual expenditures were below final budgeted amounts by approximately \$2.3 million due to conservative budgeting practices by the District and unspent grant budgets that will be carried over to the next year.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

### Capital Assets and Debt Administration

The District's investment in capital assets for its governmental activities as of June 30, 2020, totaled \$5,474,332 (net of accumulated depreciation), as compared to prior year's investment of \$4,816,375. This investment in capital assets includes land, construction in progress, buildings and improvements, buses and other vehicles, and furniture and equipment.

The major capital asset acquisitions during the current fiscal year were the following:

- New bus \$ 65,276
- Speech generator assistive device 6,595
- Interior renovations 702,271
- Furniture grouping for renovations 196,955

	District's Capital Assets (net of depreciation)	
	2020	2019
Land	\$ 127,382	\$ 127,382
Construction in progress	-	148,680
Buildings and improvements	4,599,413	3,919,755
Buses and other vehicles	387,084	411,134
Furniture and equipment	360,453	209,424
<b>Total</b>	<b>\$ 5,474,332</b>	<b>\$ 4,816,375</b>

Additional information on the District's capital assets can be found in the notes to the financial statements.

*Long-term Debt.* Obligations include accrued vacation pay and sick leave. The District presents more detailed information about our long-term debt in the notes to the financial statements.

### Economic Factors and Next Year's Budget and Rates

Our elected officials and administration consider many factors when setting the District's 2020-2021 fiscal year budgets. The 2020-2021 budget was adopted in June 2020.

The District relies heavily upon property taxes as a funding source, receiving approximately 46% of its revenue from property taxes. Slower growth and changes in taxable values across Monroe County will have a direct impact on District revenues. The District continues to monitor potential implications of valuation cases and fluctuations.

Since the District's revenue is dependent on State categorical funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. While the State's categorical funding to Intermediate School Districts has remained virtually unchanged over the past decade, 2019-20 was the first year in recent history for an additional 2% State reimbursement of Special Education costs for all LEAs and ISDs.

The overall financial position of the District at June 30, 2020 remains sound; however, the District will have to continue to evaluate the use of fund balance in balancing the budget. In the future, the fund balance of both the general fund and the special education fund may be reduced because of decreased state and federal appropriations, changes in property tax values, and increases in operational costs.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Management's Discussion and Analysis

The budget for the year ended June 30, 2021 was adopted in June 2020 when there was a high degree of uncertainty related to the funding and operations for districts in the State due to the novel coronavirus outbreak (COVID-19). Subsequent to year end, additional funding has been provided by the State through various restricted federal grant programs. Despite this, there continues to be a high degree of uncertainty regarding potential changes to state and federal funding. In addition, the District is continuously evaluating the impacts of the pandemic as it determines the appropriate methods to deliver education to students in a safe environment. These factors will have a significant impact on the operational and financial performance of the District.

### Contacting the District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Business Office at 1101 S. Raisinville Road, Monroe, MI 48161.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Net Position

June 30, 2020

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 27,210,466
Receivables, net	7,308,592
Prepaid items and other assets	52,902
Capital assets not being depreciated	127,382
Capital assets being depreciated, net	<u>5,346,950</u>
<b>Total assets</b>	<u>40,046,292</u>
<b>Deferred outflows of resources</b>	
Deferred pension amounts	26,809,981
Deferred other postemployment benefit amounts	<u>6,663,615</u>
<b>Total deferred outflows of resources</b>	<u>33,473,596</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	5,019,486
Unearned revenue	2,384,695
Long-term debt:	
Due within one year	156,234
Due in more than one year	1,406,105
Net pension liability (due in more than one year)	87,552,221
Net other postemployment benefit liability (due in more than one year)	<u>19,004,211</u>
<b>Total liabilities</b>	<u>115,522,952</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	3,276,853
Deferred other postemployment benefit amounts	<u>7,573,175</u>
<b>Total deferred inflows of resources</b>	<u>10,850,028</u>
<b>Net position</b>	
Investment in capital assets	5,474,332
Restricted for:	
Special education	17,196,454
Food service	9,396
Unrestricted (deficit)	<u>(75,533,274)</u>
<b>Total net position</b>	<u>\$ (52,853,092)</u>

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

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Activities

For the Year Ended June 30, 2020

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction	\$ 21,151,445	\$ 24,000	\$ 28,594,746	\$ 7,467,301
Supporting services	29,497,471	-	30,185	(29,467,286)
Community services	1,184,952	-	-	(1,184,952)
Food services	152,944	41,562	57,948	(53,434)
Interdistrict payments	15,297,793	-	3,355,037	(11,942,756)
<b>Total</b>	<b>\$ 67,284,605</b>	<b>\$ 65,562</b>	<b>\$ 32,037,916</b>	<b>(35,181,127)</b>
General revenues				
Property taxes				28,840,809
Unrestricted state aid				1,639,398
Unrestricted investment earnings				155,980
<b>Total general revenues</b>				<b>30,636,187</b>
<b>Change in net position</b>				<b>(4,544,940)</b>
<b>Net position, beginning of year, as restated</b>				<b>(48,308,152)</b>
<b>Net position, end of year</b>				<b>\$ (52,853,092)</b>

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

## FUND FINANCIAL STATEMENTS

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Balance Sheet

Governmental Funds

June 30, 2020

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Totals
<b>Assets</b>				
Cash and investments	\$ 8,823,938	\$ 18,038,557	\$ 347,971	\$ 27,210,466
Accounts receivable	3,778,159	3,227,602	105	7,005,866
Taxes receivable, net	89,962	212,764	-	302,726
Inventory	-	1,719	4,504	6,223
Prepaid items	32,067	14,612	-	46,679
<b>Total assets</b>	<b>\$ 12,724,126</b>	<b>\$ 21,495,254</b>	<b>\$ 352,580</b>	<b>\$ 34,571,960</b>
<b>Liabilities</b>				
Accounts payable	\$ 442,934	\$ 739,111	\$ 2,215	\$ 1,184,260
Accrued payroll and other liabilities	791,117	3,044,109	-	3,835,226
Unearned revenue	1,866,821	515,580	2,294	2,384,695
<b>Total liabilities</b>	<b>3,100,872</b>	<b>4,298,800</b>	<b>4,509</b>	<b>7,404,181</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue - taxes receivable	86,220	202,570	-	288,790
<b>Fund balances</b>				
<b>Nonspendable:</b>				
Inventory	-	1,719	4,504	6,223
Prepaid items	32,067	14,612	-	46,679
<b>Restricted for:</b>				
Special education	-	16,977,553	-	16,977,553
Food service	-	-	4,892	4,892
<b>Committed for:</b>				
Student/school activities	-	-	55,415	55,415
Capital projects	-	-	283,260	283,260
<b>Assigned for -</b>				
Monroe County Middle College	1,062,533	-	-	1,062,533
Unassigned	8,442,434	-	-	8,442,434
<b>Total fund balances</b>	<b>9,537,034</b>	<b>16,993,884</b>	<b>348,071</b>	<b>26,878,989</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 12,724,126</b>	<b>\$ 21,495,254</b>	<b>\$ 352,580</b>	<b>\$ 34,571,960</b>

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

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2020

Fund balances - total governmental funds \$ 26,878,989

Amounts reported for *governmental activities* in the statement of net position are different because:

Long-term receivables are reported as an asset and revenue when earned on the statement of net position and the statement of activities while the governmental funds report these balances as an asset and deferred inflows of resources until the availability criterion for revenue recognition is met.

Deferred inflows of resources for long-term receivables 288,790

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

Capital assets not being depreciated 127,382

Capital assets being depreciated, net 5,346,950

Certain liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences (1,562,339)

Certain pension and other postemployment benefit-related amounts, such as the net pension and other postemployment benefit liabilities and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability (87,552,221)

Deferred outflows related to the net pension liability 26,809,981

Deferred inflows related to the net pension liability (3,276,853)

Net other postemployment benefit liability (19,004,211)

Deferred outflows related to the net other postemployment benefit liability 6,663,615

Deferred inflows related to the net other postemployment benefit liability (7,573,175)

Net position of governmental activities \$ (52,853,092)

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

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2020

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Totals
<b>Revenues</b>				
Local sources	\$ 8,048,137	\$ 22,501,339	\$ 72,100	\$ 30,621,576
State sources	6,699,845	11,772,772	629	18,473,246
Federal sources	3,699,726	6,371,497	57,272	10,128,495
Interdistrict sources	3,320,476	34,561	-	3,355,037
<b>Total revenues</b>	<b>21,768,184</b>	<b>40,680,169</b>	<b>130,001</b>	<b>62,578,354</b>
<b>Expenditures</b>				
Education:				
Instruction	4,924,765	13,596,165	-	18,520,930
Supporting services	8,234,109	17,225,037	36,177	25,495,323
Community services	752,910	283,143	-	1,036,053
Food services	-	-	143,481	143,481
Capital outlay	-	-	900,215	900,215
Interdistrict payments	7,931,228	7,366,565	-	15,297,793
<b>Total expenditures</b>	<b>21,843,012</b>	<b>38,470,910</b>	<b>1,079,873</b>	<b>61,393,795</b>
Revenues over (under) expenditures	(74,828)	2,209,259	(949,872)	1,184,559
<b>Other financing sources (uses)</b>				
Transfers in	1,279,050	398,731	294,000	1,971,781
Transfers out	(498,731)	(1,473,050)	-	(1,971,781)
<b>Total other financing sources (uses)</b>	<b>780,319</b>	<b>(1,074,319)</b>	<b>294,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>705,491</b>	<b>1,134,940</b>	<b>(655,872)</b>	<b>1,184,559</b>
Fund balances, beginning of year, as restated	8,831,543	15,858,944	1,003,943	25,694,430
<b>Fund balances, end of year</b>	<b>\$ 9,537,034</b>	<b>\$ 16,993,884</b>	<b>\$ 348,071</b>	<b>\$ 26,878,989</b>

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

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds	\$ 1,184,559
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Long-term receivables are reported as revenue when earned on the statement of activities while the governmental funds report these balances as revenue when the availability criterion for revenue recognition is met.	
Net change in deferred inflows of resources for long-term receivables	161,311
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased/constructed	971,097
Depreciation expense	(310,942)
Loss on disposal of capital assets	(2,198)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in the net pension liability and related deferred amounts	(7,616,933)
Change in the net other postemployment benefit liability and related deferred amounts	1,286,083
Change in the accrual for compensated absences	(217,917)
Change in net position of governmental activities	<u>\$ (4,544,940)</u>

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

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund  
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 7,907,400	\$ 8,177,101	\$ 8,048,137	\$ (128,964)
State sources	6,382,220	7,958,919	6,699,845	(1,259,074)
Federal sources	4,111,054	4,069,931	3,699,726	(370,205)
Interdistrict sources	3,247,785	3,337,790	3,320,476	(17,314)
<b>Total revenues</b>	<b>21,648,459</b>	<b>23,543,741</b>	<b>21,768,184</b>	<b>(1,775,557)</b>
<b>Expenditures</b>				
Instruction:				
Basic programs	5,175,684	5,348,248	4,898,220	(450,028)
Added needs	13,093	24,806	26,545	1,739
<b>Total instruction</b>	<b>5,188,777</b>	<b>5,373,053</b>	<b>4,924,765</b>	<b>(448,288)</b>
Supporting services:				
Pupil services	1,110,491	1,448,622	1,157,041	(291,581)
Instructional support	2,597,771	2,981,179	2,392,270	(588,909)
General administration	521,095	635,388	487,235	(148,153)
School administration	358,892	367,673	337,747	(29,926)
Business services	1,226,359	1,271,882	1,128,171	(143,711)
Operations and maintenance	537,847	537,808	409,334	(128,474)
Central support	2,436,378	2,330,410	1,934,019	(396,391)
Transportation	460,726	450,988	388,292	(62,696)
<b>Total supporting services</b>	<b>9,249,559</b>	<b>10,023,948</b>	<b>8,234,109</b>	<b>(1,789,839)</b>
Community services	938,788	907,480	752,910	(154,570)
Interdistrict payments	7,935,583	8,415,023	7,931,228	(483,795)
<b>Total expenditures</b>	<b>23,312,707</b>	<b>24,719,505</b>	<b>21,843,012</b>	<b>(2,876,493)</b>
Revenues under expenditures	(1,664,248)	(1,175,763)	(74,828)	1,100,935
<b>Other financing sources (uses)</b>				
Transfers in	1,208,923	1,208,923	1,279,050	70,127
Transfers out	(498,731)	(498,731)	(498,731)	-
<b>Total other financing sources (uses)</b>	<b>710,192</b>	<b>710,192</b>	<b>780,319</b>	<b>70,127</b>
<b>Net change in fund balance</b>	<b>(954,056)</b>	<b>(465,571)</b>	<b>705,491</b>	<b>1,171,062</b>
Fund balance, beginning of year	8,831,543	8,831,543	8,831,543	-
<b>Fund balance, end of year</b>	<b>\$ 7,877,487</b>	<b>\$ 8,365,972</b>	<b>\$ 9,537,034</b>	<b>\$ 1,171,062</b>

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

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Special Education Fund For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 22,437,499	\$ 22,972,653	\$ 22,501,339	\$ (471,314)
State sources	10,453,537	11,777,802	11,772,772	(5,030)
Federal sources	6,363,991	6,432,378	6,371,497	(60,881)
Interdistrict sources	20,834	48,694	34,561	(14,133)
<b>Total revenues</b>	<b>39,275,861</b>	<b>41,231,527</b>	<b>40,680,169</b>	<b>(551,358)</b>
<b>Expenditures</b>				
Instruction - Added needs	14,721,133	14,567,965	13,596,165	(971,800)
<b>Supporting services:</b>				
Pupil services	13,151,396	13,278,035	12,522,995	(755,040)
Instructional support	2,363,230	2,274,262	2,166,053	(108,209)
General administration	51,425	48,425	42,500	(5,925)
School administration	245,258	400,149	397,706	(2,443)
Business services	192,091	104,591	77,127	(27,464)
Operations and maintenance	763,823	721,167	646,315	(74,852)
Central support	258,481	341,782	317,134	(24,648)
Transportation	1,180,273	1,177,884	1,055,207	(122,677)
<b>Total supporting services</b>	<b>18,205,977</b>	<b>18,346,296</b>	<b>17,225,037</b>	<b>(1,121,259)</b>
Community services	306,411	348,905	283,143	(65,762)
Interdistrict payments	6,841,800	7,546,916	7,366,565	(180,351)
<b>Total expenditures</b>	<b>40,075,321</b>	<b>40,810,082</b>	<b>38,470,910</b>	<b>(2,339,172)</b>
<b>Revenues over (under) expenditures</b>	<b>(799,460)</b>	<b>421,446</b>	<b>2,209,259</b>	<b>1,787,813</b>
<b>Other financing sources (uses)</b>				
Transfers in	398,731	398,731	398,731	-
Transfers out	(1,450,555)	(1,507,046)	(1,473,050)	(33,996)
<b>Total other financing sources (uses)</b>	<b>(1,051,824)</b>	<b>(1,108,315)</b>	<b>(1,074,319)</b>	<b>(33,996)</b>
<b>Net change in fund balance</b>	<b>(1,851,284)</b>	<b>(686,870)</b>	<b>1,134,940</b>	<b>1,821,810</b>
Fund balance, beginning of year	15,858,944	15,858,944	15,858,944	-
<b>Fund balance, end of year</b>	<b>\$ 14,007,660</b>	<b>\$ 15,172,075</b>	<b>\$ 16,993,884</b>	<b>\$ 1,821,810</b>

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

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Fiduciary Net Position

Fiduciary Fund  
June 30, 2020

	Custodial Fund
Assets	
Cash and investments	<u>\$ 19,626</u>
Net position	
Restricted for other groups	<u>\$ 19,626</u>

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

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Statement of Changes in Fiduciary Net Position Fiduciary Fund June 30, 2020

	Custodial Fund
<b>Additions</b>	
Private donations and contributions	\$ 7,445
Interest	<u>74</u>
<b>Total additions</b>	7,519
<b>Deductions</b>	
Payments to other groups	<u>3,399</u>
<b>Change in net position</b>	4,120
Net position, beginning of year, as restated	<u>15,506</u>
<b>Net position, end of year</b>	<u>\$ 19,626</u>

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

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## NOTES TO FINANCIAL STATEMENTS

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The Monroe County Intermediate School District (the “District”) has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

#### *Government-wide and Fund Financial Statements*

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

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

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

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures related to compensated absences are recorded only when payment is due.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

Property taxes received and grant and interest revenue earned within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *special education special revenue fund* accounts for special education initiatives carried out by the District, which are primarily financed through restricted state aid and property taxes.

Additionally, the District reports the following fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *custodial fund* is used to account for assets held for other groups and organizations and are custodial in nature.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

#### *Deposits and Investments*

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

Investments are reported at fair value.

#### *Receivables and Payables*

The District follows the practice of recording revenues that have been earned but not yet received as receivables. All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The District's allowance for doubtful accounts is related to delinquent property taxes receivable. Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### *Inventories and Prepaids*

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the special education fund and food service fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### *Capital Assets*

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

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

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

	Years
Buildings and improvements	20-50
Buses and other vehicles	8-10
Furniture and equipment	5-20

### *Deferred Outflows of Resources*

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 reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

### *Salaries Payable and Accrued Employee Benefits*

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

### *Compensated Absences*

The liability for compensated absences reported in the government-wide financial statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment, such as for employee retirements or resignations. The liability has been calculated for employees who currently are eligible to receive termination payments using the vesting method.

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also reports deferred inflows of resources related to pension and other postemployment benefit liabilities in the government-wide statement of net position.

### *Fund Balance*

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports assigned fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Assistant Superintendent for Business and Administrative Services. Unassigned fund balance is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

### *Pensions and Other Postemployment Benefits*

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources, and deferred inflows of resources related to pension and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The District utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the financial statements.

## 2. BUDGETARY INFORMATION

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with GAAP, and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. All annual appropriations lapse at fiscal year end. The budgets for the general and special revenue funds are adopted on a functional basis.

During the year ended June 30, 2020, the District incurred certain expenditures in excess of the amounts appropriated as follows:

	Final Budget	Actual Expenditures	Over Budget
General fund			
Instruction -			
Added needs	\$ 24,806	\$ 26,545	\$ 1,739

## 3. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position and Statement of Fiduciary Net Position follows:

Statement of net position	
Cash and investments	\$ 27,210,466
Statement of fiduciary net position	
Cash and investments	19,626
	<u>\$ 27,230,092</u>
Bank deposits (checking and savings accounts)	\$ 9,531,730
Investments	<u>17,698,362</u>
	<u>\$ 27,230,092</u>

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### Statutory Authority

State statutes authorize the District to deposit and invest in:

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

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. At June 30, 2020, the District had the following investments.

Investment	Maturity	Fair Value
Fifth Third Securities:		
Money market fund	n/a	\$ 99,722
Commercial paper	< 1 year	8,845,111
U.S. agencies	< 1 year	6,175,283
U.S. agencies	1-5 years	528,772
U.S. treasuries	< 1 year	2,049,474
		\$ 17,698,362

### Investment and Deposit Risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for the investments held at year end are identified in the table above.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits, and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. As of June 30, 2020, the District's investments were rated by Standard & Poor's as follows:

	Rating
AA+	\$ 10,502,410
A-1+	3,797,210
A-1	3,049,170
A-2	249,850
Not rated	<u>99,722</u>
	<u>\$ 17,698,362</u>

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$9,333,296 of the District's bank balance of \$10,014,592 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. None of the District's investments are subject to custodial credit risk because their existence is not evidenced by securities in physical or book form.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

### Fair Value

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

The District's recurring fair value measurement as of June 30, 2020 for its investments in commercial paper, U.S. agencies, and U.S. treasuries are valued using significant other observable inputs of the underlying securities and bonds (Level 2 inputs).

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 4. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Totals
Accounts receivable	\$ 3,778,159	\$ 3,227,602	\$ 105	\$ 7,005,866
Property taxes	176,726	487,158	-	663,884
Less: allowance for uncollectible accounts	(86,764)	(274,394)	-	(361,158)
	<u>\$ 3,868,121</u>	<u>\$ 3,440,366</u>	<u>\$ 105</u>	<u>\$ 7,308,592</u>

Of the amounts reported for receivables above, the property taxes receivable is due and payable at year end, and therefore classified as a current asset; however, the District has estimated that \$135,661 is not expected to be collected within one year.

### 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 127,382	\$ -	\$ -	\$ -	\$ 127,382
Construction in progress	148,680	-	-	(148,680)	-
	<u>276,062</u>	<u>-</u>	<u>-</u>	<u>(148,680)</u>	<u>127,382</u>
Capital assets being depreciated:					
Buildings and improvements	8,482,675	702,271	-	148,680	9,333,626
Buses and other vehicles	1,471,800	65,276	-	-	1,537,076
Furniture and equipment	830,009	203,550	5,495	-	1,028,064
	<u>10,784,484</u>	<u>971,097</u>	<u>5,495</u>	<u>148,680</u>	<u>11,898,766</u>
Less accumulated depreciation for:					
Buildings and improvements	4,562,920	171,293	-	-	4,734,213
Buses and other vehicles	1,060,666	89,326	-	-	1,149,992
Furniture and equipment	620,585	50,323	3,297	-	667,611
	<u>6,244,171</u>	<u>310,942</u>	<u>3,297</u>	<u>-</u>	<u>6,551,816</u>
Total capital assets being depreciated, net	<u>4,540,313</u>	<u>660,155</u>	<u>2,198</u>	<u>148,680</u>	<u>5,346,950</u>
Capital assets, net	<u>\$ 4,816,375</u>	<u>\$ 660,155</u>	<u>\$ 2,198</u>	<u>\$ -</u>	<u>\$ 5,474,332</u>

Depreciation expense of \$301,479 and \$9,463 was reported on the statement of activities as "supporting services" and "food services", respectively.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 6. PAYABLES

Accounts payable and accrued liabilities as of year end for the District’s individual major and nonmajor funds are as follows:

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Totals
Accounts payable	\$ 442,934	\$ 739,111	\$ 2,215	\$ 1,184,260
Accrued payroll and other liabilities	791,117	3,044,109	-	3,835,226
	<u>\$ 1,234,051</u>	<u>\$ 3,783,220</u>	<u>\$ 2,215</u>	<u>\$ 5,019,486</u>

### 7. INTERFUND TRANSFERS

For the year ended June 30, 2020, interfund transfers consisted of the following:

	Transfers in	Transfers out
General fund	\$ 1,279,050	\$ 498,731
Special education fund	398,731	1,473,050
Nonmajor governmental funds	294,000	-
	<u>\$ 1,971,781</u>	<u>\$ 1,971,781</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2020, the District transferred funds to provide resources for the special education fund, the food service fund, the capital projects fund, and the general fund primarily for operating purposes and to charge grant related indirect costs.

### 8. LONG-TERM DEBT

Long-term debt and other obligations of the District at June 30, 2020, are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Compensated absences	<u>\$ 1,344,422</u>	<u>\$ 312,818</u>	<u>\$ 94,901</u>	<u>\$ 1,562,339</u>	<u>\$ 156,234</u>

Compensated absences are generally liquidated by the general and special education funds.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 9. OPERATING LEASE

The District has lease agreements to lease copiers, postage, and mail equipment. The lease agreements are for 60 months at a charge of \$1,631 per month. Rental expense for 2020 was \$19,571.

Scheduled future minimum lease payments are as follows:

Year Ending June 30	Amount
2021	\$ 19,571
2022	19,571
2023	<u>1,829</u>
	<u>\$ 40,971</u>

### 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for medical claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation, general liability, and property casualty. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### 11. PROPERTY TAXES

Property taxes are assessed as of December 31 and attach as an enforceable lien on property as of July 1 of the following year. Taxes are levied on whose boundaries include property within the District and are due on September 15.

### 12. TAX ABATEMENTS

The District received reduced property tax revenues during 2020 as a result of industrial facilities tax exemptions (IFT's) and brownfield redevelopment agreements entered into by cities, villages, townships, and authorities within the District boundaries.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the District boundaries. The abatements amounted to \$171,142 in reduced District tax revenues for 2020.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

#### *Plan Description*

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

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

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

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

#### *Pension Benefits Provided*

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

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

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

### *Other Postemployment Benefits Provided*

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 healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	18.25% - 19.41%
Member Investment Plan (MIP)	3.00% - 7.00%	18.25% - 19.41%
Pension Plus	3.00% - 6.40%	16.46%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

For the year ended June 30, 2020, required and actual contributions from the District to the pension plan were \$7,371,239, which included \$2,927,118, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.93% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

For the year ended June 30, 2020, required and actual contributions from the District to the OPEB plan were \$1,943,219.

The table below summarizes defined contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2020, required and actual contributions from the District for those members with a defined contribution benefit were \$414,845.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

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

At June 30, 2020, the District reported a liability of \$87,552,221 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.26438%, which was an increase of 0.00207% from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$14,937,337. At June 30, 2020, 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	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 392,437	\$ 365,084	\$ 27,353
Changes in assumptions	17,142,786	-	17,142,786
Net difference between projected and actual earnings on pension plan investments	-	2,805,900	(2,805,900)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,342,985	105,869	2,237,116
	<u>19,878,208</u>	<u>3,276,853</u>	<u>16,601,355</u>
District contributions subsequent to the measurement date	6,931,773	-	6,931,773
	<u>6,931,773</u>	<u>-</u>	<u>6,931,773</u>
<b>Total</b>	<b><u>\$ 26,809,981</u></b>	<b><u>\$ 3,276,853</u></b>	<b><u>\$ 23,533,128</u></b>

The \$6,931,773 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	\$ 6,769,547
2022	5,338,315
2023	3,260,743
2024	<u>1,232,750</u>
<b>Total</b>	<b><u>\$ 16,601,355</u></b>

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

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

At June 30, 2020, the District reported a liability of \$19,004,211 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.26477% which was a decrease of 0.00333% from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$652,244. At June 30, 2020, 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	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 6,973,183	\$ (6,973,183)
Changes in assumptions	4,117,828	-	4,117,828
Net difference between projected and actual earnings on OPEB plan investments	-	330,492	(330,492)
Changes in proportion and differences between employer contributions and proportionate share of contributions	805,184	269,500	535,684
	<u>4,923,012</u>	<u>7,573,175</u>	<u>(2,650,163)</u>
District contributions subsequent to the measurement date	<u>1,740,603</u>	<u>-</u>	<u>1,740,603</u>
<b>Total</b>	<u><u>\$ 6,663,615</u></u>	<u><u>\$ 7,573,175</u></u>	<u><u>\$ (909,560)</u></u>

The \$1,740,603 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. 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 Ended June 30,	Amount
2021	\$ (718,577)
2022	(718,577)
2023	(553,588)
2024	(386,038)
2025	<u>(273,383)</u>
<b>Total</b>	<u><u>\$ (2,650,163)</u></u>

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### *Actuarial Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2018 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80%
Pension Plus plan (hybrid)	6.80%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2019, are based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4977 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.7101 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### *Long-term Expected Return on Pension Plan Assets*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		5.65%
Inflation			2.30%
Risk adjustment			<u>-1.15%</u>
Investment rate of return			<u>6.80%</u>

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### *Long-term Expected Return on OPEB Plan Assets*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		5.65%
Inflation			2.30%
Risk adjustment			<u>-1.00%</u>
Investment rate of return			<u>6.95%</u>

### *Rate of Return*

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### *Discount Rate*

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### *Sensitivity of the District's Proportionate Share 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 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
District's proportionate share of the net pension liability	\$ 113,823,488	\$ 87,552,221	\$ 65,772,435

### *Sensitivity of the District's Proportionate Share 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 6.95%, 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:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net OPEB liability	\$ 23,311,521	\$ 19,004,211	\$ 15,387,268

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

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

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 15,233,925	\$ 19,004,211	\$ 23,311,010

### *Pension and OPEB Plans Fiduciary Net Position*

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Financial Statements

### *Payable to the Pension Plan*

At June 30, 2020, the District reported a payable of \$1,071,853 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2020.

### *Payable to the OPEB Plan*

At June 30, 2020, the District reported a payable of \$224,824 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2020.

## 14. CONTINGENCIES

During fiscal year 2020, DTE Energy filed a tax appeal to lower its taxable value. The taxable value reduction would have an adverse affect on revenue for the District. The State is currently working to defend this litigation. At this time, the outcome and District's exposure to the tax appeal is unknown.

## 15. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the District's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it will continue to place additional demands on the District as it determines the appropriate methods to deliver education to students in a safe environment. While management reasonably expects the COVID-19 outbreak to negatively impact the District's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

## 16. RESTATEMENTS

The District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result of this change, beginning fund balance of the student/school activity special revenue fund and the beginning net position of governmental activities were increased by \$60,954. Additionally, the beginning net position of the custodial fund was increased by \$15,506.



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## REQUIRED SUPPLEMENTARY INFORMATION

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

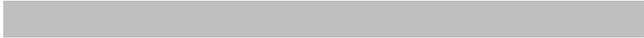
## Required Supplementary Information

### MPSERS Cost-Sharing Multiple Employer Plan

#### Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,		
	2020	2019	2018
District's proportionate share of the net pension liability	\$ 87,552,221	\$ 78,855,692	\$ 65,962,754
District's proportion of the net pension liability	0.26438%	0.26231%	0.25454%
District's covered payroll	\$ 23,223,554	\$ 22,882,333	\$ 21,839,968
District's proportionate share of the net pension liability as a percentage of its covered payroll	377.00%	344.61%	302.03%
Plan fiduciary net position as a percentage of the total pension liability	60.31%	62.36%	64.21%

See notes to required supplementary information.



Year Ended June 30,		
2017	2016	2015

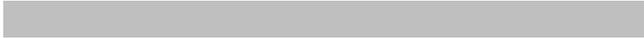
\$ 60,749,883	\$ 59,663,450	\$ 51,491,103
0.24349%	0.24427%	0.23377%
\$ 20,663,408	\$ 20,586,664	\$ 20,024,985
294.00%	289.82%	257.13%
63.27%	63.17%	66.20%

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Required Supplementary Information MPSERS Cost-Sharing Multiple Employer Plan Schedule of the District's Pension Contributions

	Year Ended June 30,		
	2020	2019	2018
Statutorily required contribution	\$ 7,371,239	\$ 7,012,396	\$ 7,149,995
Contributions in relation to the statutorily required contribution	<u>(7,371,239)</u>	<u>(7,012,396)</u>	<u>(7,149,995)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 24,542,244	\$ 23,197,933	\$ 22,745,058
Contributions as a percentage of covered payroll	30.03%	30.23%	31.44%

See notes to required supplementary information.



Year Ended June 30,		
2017	2016	2015
\$ 5,942,369	\$ 5,678,208	\$ 4,588,921
<u>(5,942,369)</u>	<u>(5,678,208)</u>	<u>(4,588,921)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 21,863,050	\$ 21,226,163	\$ 20,592,704
27.18%	26.75%	22.28%

## MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

### Required Supplementary Information

#### MPERS Cost-Sharing Multiple Employer Plan

#### Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability

	Year Ended June 30,		
	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 19,004,211	\$ 21,310,806	\$ 22,530,437
District's proportion of the net OPEB liability	0.26477%	0.26810%	0.25442%
District's covered payroll	\$ 23,223,554	\$ 22,882,333	\$ 21,839,968
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.83%	93.13%	103.36%
Plan fiduciary net position as a percentage of the total OPEB liability	48.46%	42.95%	36.39%

See notes to required supplementary information.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Required Supplementary Information

### MPERS Cost-Sharing Multiple Employer Plan

#### Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,		
	2020	2019	2018
Statutorily required contribution	\$ 1,943,219	\$ 1,806,936	\$ 1,686,045
Contributions in relation to the statutorily required contribution	<u>(1,943,219)</u>	<u>(1,806,936)</u>	<u>(1,686,045)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 24,542,244	\$ 23,197,933	\$ 22,745,058
Contributions as a percentage of covered payroll	7.92%	7.79%	7.41%

See notes to required supplementary information.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Required Supplementary Information

### Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

### OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

## COMBINING FUND FINANCIAL STATEMENTS

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2020

	Special Revenue Funds			Totals
	Food Service Fund	Student/School Activity Fund	Capital Projects Fund	
<b>Assets</b>				
Cash and investments	\$ 7,081	\$ 57,630	\$ 283,260	\$ 347,971
Accounts receivable	105	-	-	105
Inventory	4,504	-	-	4,504
<b>Total assets</b>	<b>\$ 11,690</b>	<b>\$ 57,630</b>	<b>\$ 283,260</b>	<b>\$ 352,580</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 2,215	\$ -	\$ 2,215
Unearned revenue	2,294	-	-	2,294
<b>Total liabilities</b>	<b>2,294</b>	<b>2,215</b>	<b>-</b>	<b>4,509</b>
<b>Fund balances</b>				
Nonspendable	4,504	-	-	4,504
Restricted	4,892	-	-	4,892
Committed	-	55,415	283,260	338,675
<b>Total fund balances</b>	<b>9,396</b>	<b>55,415</b>	<b>283,260</b>	<b>348,071</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,690</b>	<b>\$ 57,630</b>	<b>\$ 283,260</b>	<b>\$ 352,580</b>

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2020

	Special Revenue Funds			Totals
	Food Service Fund	Student/School Activity Fund	Capital Projects Fund	
<b>Revenues</b>				
Local sources	\$ 41,609	\$ 30,185	\$ 306	\$ 72,100
State sources	629	-	-	629
Federal sources	57,272	-	-	57,272
<b>Total revenues</b>	<b>99,510</b>	<b>30,185</b>	<b>306</b>	<b>130,001</b>
<b>Expenditures</b>				
Supporting services	-	35,724	453	36,177
Food services	143,481	-	-	143,481
Capital outlay	-	-	900,215	900,215
<b>Total expenditures</b>	<b>143,481</b>	<b>35,724</b>	<b>900,668</b>	<b>1,079,873</b>
Revenues under expenditures	(43,971)	(5,539)	(900,362)	(949,872)
<b>Other financing sources</b>				
Transfers in	44,000	-	250,000	294,000
<b>Net change in fund balances</b>	<b>29</b>	<b>(5,539)</b>	<b>(650,362)</b>	<b>(655,872)</b>
Fund balances, beginning of year, as restated	9,367	60,954	933,622	1,003,943
<b>Fund balances, end of year</b>	<b>\$ 9,396</b>	<b>\$ 55,415</b>	<b>\$ 283,260</b>	<b>\$ 348,071</b>

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## SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

November 17, 2020

Board of Education  
Monroe County Intermediate School District  
Monroe, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Monroe County Intermediate School District* (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 17, 2020, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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 schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Rehmann Johnson LLC*

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# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through/ Grantor Number	Approved Award/Grant Amount
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	MDE	191970	\$ 19,741
School Breakfast Program	10.553	MDE	201970	11,913
National School Lunch Program:				
Entitlement Commodities	10.555	MDE	-n/a-	7,164
Bonus Commodities	10.555	MDE	-n/a-	130
National School Lunch Section 4 all lunches	10.555	MDE	191960	44,237
National School Lunch Section 4 all lunches	10.555	MDE	201960	25,761
Total Child Nutrition Cluster				
Child and Adult Care Food Program:				
2018-2019 CACFP	10.558	MDE	191920	160,871
2018-2019 CACFP	10.558	MDE	192010	6,587
2019-2020 CACFP	10.558	MDE	201920	113,514
2019-2020 CACFP	10.558	MDE	202010	4,242
Total U.S. Department of Agriculture				
<b>U.S. Department of Labor</b>				
WIOA Cluster -				
WIOA Youth Activities:				
2018 - 2019	17.259	SEMCA	08-MCISD-0006	207,521
2019 - 2020	17.259	SEMCA	08-MCISD-0006	205,961
Total U.S. Department of Labor				
<b>U.S. Department of Education</b>				
Title I State Agency Program for Neglected and Delinquent Children and Youth - Part D:				
2018 - 2019	84.013	MDE	191700-1819	70,708
2019 - 2020	84.013	MDE	201700-1920	62,232

Accrued (Unearned) Revenue July 1, 2019	Current Year Cash Received	Expenditures (Memo Only) Prior Year	Expenditures Year Ended June 30, 2020	Accrued (Unearned) Revenue June 30, 2020	Total Subawards
\$ -	\$ 3,840	\$ 15,901	\$ 3,840	\$ -	\$ -
-	11,913	-	11,913	-	-
-	15,753	15,901	15,753	-	-
-	7,164	-	7,164	-	-
-	130	-	130	-	-
-	8,464	35,773	8,464	-	-
-	25,761	-	25,761	-	-
-	41,519	35,773	41,519	-	-
-	57,272	51,674	57,272	-	-
26,840	45,198	142,513	18,358	-	-
1,113	1,797	5,903	684	-	-
-	113,514	-	113,514	-	-
-	4,242	-	4,242	-	-
27,953	164,751	148,416	136,798	-	-
27,953	222,023	200,090	194,070	-	-
19,957	19,957	176,837	-	-	-
-	157,926	-	194,642	36,716	-
19,957	177,883	176,837	194,642	36,716	-
4,299	14,033	56,193	9,734	-	-
-	46,730	-	50,510	3,780	-
4,299	60,763	56,193	60,244	3,780	-

continued...

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through/ Grantor Number	Approved Award/Grant Amount
Special Education Cluster (IDEA):				
Flowthrough:				
2017 - 2018	84.027	MDE	180450-1718	5,541,764
2018 - 2019	84.027	MDE	190450-1819	5,628,232
2019 - 2020	84.027	MDE	200450-1920	5,623,463
2018 - 2019	84.027	MDE	190493-GSG	126,500
2019 - 2020	84.027	MDE	200493-GSG	126,500
Preschool Incentive:				
2018 - 2019	84.173	MDE	190460-1819	181,694
2019 - 2020	84.173	MDE	200460-1920	185,343
Total Special Education Cluster (IDEA)				
Career and Technical Education - Basic Grants to States - Perkins 2019-2020				
	84.048	WCRESA	n/a	82,987
Special Education - Grants for Infants and Families:				
2018 - 2019	84.181	MDE	191340-1819	169,448
2019 - 2020	84.181	MDE	201340-1920	172,856
Education for Homeless Children and Youth:				
2018 - 2019	84.196	MDE	192320-1819	57,843
2019 - 2020	84.196	MDE	202320-1920	33,528
Total U.S. Department of Education				

Accrued (Unearned) Revenue July 1, 2019	Current Year Cash Received	Expenditures (Memo Only) Prior Year	Expenditures Year Ended June 30, 2020	Accrued (Unearned) Revenue June 30, 2020	Total Subawards
825,310	825,310	4,408,128	-	-	-
205,953	4,020,444	930,524	4,694,452	879,961	-
-	752,541	-	969,556	217,015	-
19,662	19,662	126,500	-	-	-
-	108,867	-	126,500	17,633	-
<u>1,050,925</u>	<u>5,726,824</u>	<u>5,465,152</u>	<u>5,790,508</u>	<u>1,114,609</u>	<u>-</u>
49,526	49,526	181,694	-	-	-
-	148,369	-	185,343	36,974	-
<u>49,526</u>	<u>197,895</u>	<u>181,694</u>	<u>185,343</u>	<u>36,974</u>	<u>-</u>
<u>1,100,451</u>	<u>5,924,719</u>	<u>5,646,846</u>	<u>5,975,851</u>	<u>1,151,583</u>	<u>-</u>
-	48,434	-	82,987	34,553	-
17,892	17,892	148,888	-	-	-
-	123,036	-	145,791	22,755	-
<u>17,892</u>	<u>140,928</u>	<u>148,888</u>	<u>145,791</u>	<u>22,755</u>	<u>-</u>
48,233	52,658	53,359	4,425	-	-
-	4,994	-	19,840	14,846	19,840
<u>48,233</u>	<u>57,652</u>	<u>53,359</u>	<u>24,265</u>	<u>14,846</u>	<u>19,840</u>
<u>1,170,875</u>	<u>6,232,496</u>	<u>5,905,286</u>	<u>6,289,138</u>	<u>1,227,517</u>	<u>19,840</u>

continued...

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through/ Grantor Number	Approved Award/Grant Amount
U.S. Department of Health and Human Services				
Community-Based Child Abuse Prevention Grant:				
Children's Trust Funds 18-19	93.590	MDHHS	n/a	\$ 46,006
Children's Trust Funds 19-20	93.590	MDHHS	n/a	46,006
Head Start Cluster:				
Head Start:				
2018 - 2019	93.600	Direct	05CH8324/06	2,645,360
2019 - 2020	93.600	Direct	05CH8324/07	3,188,884
Early Head Start:				
2018 - 2019	93.600	Direct	05CH010077-03-00	335,390
2019 - 2020	93.600	Direct	05CH010077-04-00	341,149
Medicaid Cluster-				
Medical Assistance Program - Medicaid Administrative Outreach 19-20	93.778	MDHHS	n/a	96,514
Block Grants for Prevention and Treatment of Substance Abuse:				
Prevention 2018 - 2019	93.959	CMHPSM	n/a	117,469
Prevention 2019 - 2020	93.959	CMHPSM	n/a	117,469
Total U.S. Department of Health and Human Services				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue July 1, 2019	Current Year Cash Received	Expenditures (Memo Only) Prior Year	Expenditures Year Ended June 30, 2020	Accrued (Unearned) Revenue June 30, 2020	Total Subawards
\$ 457	\$ 10,724	\$ 34,961	\$ 10,267	\$ -	\$ -
-	34,504	-	30,690	(3,814)	-
<u>457</u>	<u>45,228</u>	<u>34,961</u>	<u>40,957</u>	<u>(3,814)</u>	<u>-</u>
1,011,914	1,011,914	2,505,440	-	-	-
-	1,879,972	-	2,885,925	1,005,953	-
101,903	101,903	323,403	-	-	-
-	226,030	-	314,865	88,835	-
<u>1,113,817</u>	<u>3,219,819</u>	<u>2,828,843</u>	<u>3,200,790</u>	<u>1,094,788</u>	<u>-</u>
-	96,514	-	96,514	-	-
6,545	34,717	84,449	28,172	-	-
-	77,448	-	84,212	6,764	-
<u>6,545</u>	<u>112,165</u>	<u>84,449</u>	<u>112,384</u>	<u>6,764</u>	<u>-</u>
1,120,819	3,473,726	2,948,253	3,450,645	1,097,738	-
<u>\$ 2,339,604</u>	<u>\$ 10,106,128</u>	<u>\$ 9,230,466</u>	<u>\$ 10,128,495</u>	<u>\$ 2,361,971</u>	<u>\$ 19,840</u>

concluded.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards Provided to Subrecipients For the Year Ended June 30, 2020

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Current Year Cash Transferred to Subrecipient
U.S. Department of Education Education for Homeless Children and Youth - 2019 - 2020	84.196	
Passed through to:		
Airport Community Schools		\$ 1,466
Bedford Public Schools		1,505
Dundee Community Schools		9,413
Ida Public Schools		422
Jefferson Schools		1,468
Monroe Public Schools		3,056
Summerfield Schools		111
Whiteford Agricultural Schools		2,399
Total subawards		<u>\$ 19,840</u>

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Schedule of Expenditures of Federal Awards

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Monroe County Intermediate School District (the "District") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

### 2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10% de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

### 3. PASS-THROUGH AGENCIES

The District receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
SEMCA	Southeast Michigan Community Alliance
WCRESA	Wayne County Regional Education Service Agency
MDHHS	Michigan Department of Health and Human Services
CMHPSM	Community Mental Health Partnership of Southeast Michigan



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

November 17, 2020

Board of Education  
Monroe County Intermediate School District  
Monroe, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Monroe County Intermediate School District* (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 2020.

#### Internal Control Over Financial Reporting

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

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

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

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## Compliance and Other Matters

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

## Purpose of this Report

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

*Rehmann Loborn LLC*

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 17, 2020

Board of Education  
Monroe County Intermediate School District  
Monroe, Michigan

### Report on Compliance for the Major Federal Program

We have audited the compliance of the *Monroe County Intermediate School District* (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2020. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

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

#### *Independent Auditors' Responsibility*

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

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

Rehmann is an independent member of Nexia International.



### *Opinion on the Major Federal Program*

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

### Report on Internal Control Over Compliance

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

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

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

### *Purpose of this Report*

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

The image shows a handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes  X  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster (IDEA)
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> yes _____ no

# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

### SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



# MONROE COUNTY INTERMEDIATE SCHOOL DISTRICT

## ■ Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2020

### Finding 2019-001 - Significant Audit Adjustment

In the prior year, the auditors identified and proposed a significant adjustment (which was approved and posted by management) to adjust the District's general ledger to the appropriate balances. Specifically, unearned revenue in the general fund was initially understated by approximately \$91,000 related to Great Start Readiness Program (GSRP) state revenues. As a result of this condition, the District's accounting records were initially misstated by amounts significant to the financial statements. The District did not have any audit adjustments in the current year. As a result, this finding has been adequately resolved.

### Finding 2019-002 - Procurement, Suspension, and Debarment

The District was unable to provide evidence that competitive bidding was performed (one vendor tested) or quotes were obtained (one of three vendors tested) for all purchases of goods and services that exceed the aforementioned thresholds. Additionally, the District was unable to provide evidence that they verified vendors over \$25,000 were not suspended or debarred from doing business with the District. As a result of this condition, the procurement requirements as outlined within the District's policy were not followed and the District was exposed to the risk that disbursements of federal awards could be made for unallowable costs or disbursements could be made to vendors suspended or debarred by the federal government. The District followed the procurement requirements in the current year. As a result, this finding has been adequately resolved.



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