Eastpointe Community Schools

Financial Statements

June 30, 2018

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Independent Auditors' Report

To the Board of Education
Eastpointe Community Schools
Eastpointe, 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 Eastpointe Community Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Eastpointe Community Schools, as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eastpointe Community Schools' basic financial statements. Other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 on our consideration of Eastpointe Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Eastpointe Community Schools' 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 Eastpointe Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, MI
October 31, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

Eastpointe Community Schools
Administration's Discussion and Analysis
For the fiscal year ended June 30, 2018

This section of Eastpointe Community Schools' (School District) annual financial report presents discussion and analysis of the School District's financial performance during the year ended June 30, 2018. It should be read in conjunction with the School District's financial statements, which immediately follow this section. The School District is required to implement the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) in its financial statement presentation. This accounting standard requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

The financial report is only one measure of a school district's viability. A school district's goal is to provide services to students, not to generate profits as commercial entities do. Consideration should also be given to other non-financial factors, such as the quality of the education provided and safety of the schools, in the assessment of the overall health of a school district.

District-wide Financial Statements

The District-wide Financial Statements provide information about the activities of the School District as a whole, presenting both an aggregate view of the School District's finances and a long-term view of those finances. District-wide statements are presented on a full accrual basis, which is the primary accounting method used in private industry. The Statement of Net Position reports all the School District's assets regardless of whether they are available for current use or legally restricted, and all of its liabilities, both short-term and long-term. The Statement of Activities reports all of the School District revenues and expenses by type of activity.

Fund Financial Statements

The School District segregates resources and activities in separate funds (or entities); each used for a specific purpose, to facilitate accountability for those resources. The Fund Financial Statements provide a detailed short-term view of the operations of the School District's various fiscal components, not a long-term view of the School District as a whole. It provides information as to the amount of financial resources that can be spent in the near future to finance programs. It also provides information about the School District's most significant funds, the General Fund (the School District's principal operating Fund) and the Debt Retirement Fund, and its non-major funds, which are grouped together and presented as Other Governmental Funds. The School District's non-major funds are Food Service and Capital Projects. Fund Financial Statements are presented on a modified accrual basis. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they can be paid using current financial resources. For further information on the attributes of the modified accrual basis and the full accrual basis of accounting, please refer to Note 1 – Summary of Significant Accounting Policies in the Notes to Financial Statement section of this report.

Fiduciary Fund

The Statement of Fiduciary Net Position presents financial information about all the activities for which the School District acts solely as an agent for the benefit of students and parents. The School District is the trustee, or fiduciary, for its student activity accounts. The activities of the Fiduciary Fund are segregated from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

The School District as a Whole

As discussed above, the statement of net position provides information of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2018:

	Governmental Activities (in millions)	
Assets	2018	2017
Current and other assets	$10.5	$11.8
Capital assets-net of accumulated depreciation	31.3	34.1
Total assets	41.8	45.9
Deferred outflows of resources	9.9	5.2
Total assets and deferred outflows of resources	51.7	51.1
Liabilities		
Current liabilities	$8.3	$9.7
Long-term liabilities	79.0	67.3
Total liabilities	87.3	77.0
Deferred inflows of resources	6.4	2.5
Total liabilities and deferred inflows of resources	93.7	79.5
Net Position		
Net investment in capital assets	$12.4	$12.0
Restricted	0.3	0.6
Unrestricted (deficit)	(54.7)	(41.0)
Total net position	($42.0)	($28.4)

Net position at year-end was a deficit of ($ 42.0) million. The School District's investment in capital assets, net of related debt, was $12.4 million. The ($ 54.7) million in unrestricted net position represents the cumulative operating results of the year ended June 30, 2018, and all prior years.

The School District's net position increased $ .9 million during the fiscal year ended June 30, 2018. The cost to operate the School District's programs was $ 37.8 million. Partially funding these programs were grant revenues totaling $ 8.7 million and charges for services of $ 0.1 million. The remaining costs of the School District's programs were funded by general revenues, primarily state aid and property tax collections, totaling $ 29.9 million.

	Governmental Activities (in millions)	
	2018	2017
Revenue		
Program revenue:		
Charges for services	$ 0.1	$ 0.1
Grants and categoricals	8.7	8.0
General revenue:		
Property Taxes	8.1	8.0
State foundation allowance	21.1	21.1
Other	0.7	0.1
Total revenue	38.7	37.3
Function/Program Expenses		
Instruction	20.6	19.4
Support Services	13.7	14.5
Community Services	0.1	0.1
Food Services	2.6	2.2
Interest on long-term debt	0.8	0.6
Total expenses	37.8	36.8
Increase in Net Position	$ 0.9	$ 0.5

Capital Assets

At June 30, 2018, the School District had an investment in capital assets, net of accumulated depreciation, of $ 31.3 million. This includes land, buildings, improvements, buses, vehicles, furniture, and equipment.

The School District decreased capital assets by approximately $ 2.8 million during the year.

	2018	2017
Land	$ 0.1	$ 0.1
Construction in progress	-	-
Buildings	49.3	51.4
Site Improvements	1.9	1.9
Buses and other vehicles	0.5	0.5
Furniture and equipment	15.9	15.2
Total capital assets	67.7	69.1
Less accumulated depreciation	36.4	35.0
Net capital assets	$ 31.3	$ 34.1

Debt

At June 30, 2018, the School District had $ 19.9 million in long-term debt, compared to $ 23.4 million at the same time last year. Additional information about the School District's long-term debt is presented in the Notes to Financial Statements (note 7).

	2018	2017
General Obligation Bonds (financed with property taxes)	$ 17.7	$ 19.5
Other Long-Term Debt	2.2	3.9
	$ 19.9	$ 23.4

The School District's Funds

As mentioned above, the School District uses funds to segregate and account for resources and activities that are used for specific purposes. At June 30, 2018 the School District's governmental funds had a combined fund balance of $ 2.4 million, an increase of $ .1 million from June 30, 2017. The contributions of each individual fund are:

General Fund

The ending fund balance of the General Fund, the principal operating fund of the School District, increased $ 1.1 million to $ 1.9 million positive fund balance at June 30, 2018. The fund balance of the General Fund is available to fund costs related to school operations.

Debt Service Fund

The Debt Service Fund equity balance at June 30, 2018 was $ 0.4 million, a decrease of $ 0.3 million from the prior year. Debt millage taxes are levied to pay the interest and principal on the district's outstanding debt on bonds issued for capital projects.

Other Governmental Funds

The School District's non-major funds – Food Service and Capital Projects are grouped and presented in this category. At June 30, 2018, their combined fund equity balance was $ 0.1 million. The Food Service Fund equity balance at June 30, 2018 was $0.1 million, down from $0.9 million at June 30, 2017 due primarily to spending on kitchen improvement projects. The Capital Projects Fund had $ 9,448 of fund equity balance at year-end.

General Fund Budget Highlights

State law requires that school districts periodically amend their budgets to ensure that expenditures do not exceed appropriations. During the year, the School District revised its budget in response to and/or in anticipation of changing operating conditions. The School District had two budget amendments during the year that were approved by the Board of Education. (A schedule showing the School District's original budget, final budget, and actual results for the General Fund is provided in the Required Supplemental Information section of these financial statements.)

The majority of the School District's revenue is based on student enrollment. For fiscal 2018, it received $7,925 per pupil from the State of Michigan, an increase of $ 105 per pupil from the prior year.

The original budget reflected certain assumptions for enrollment, grant funding, staffing and other expenditures. The June 2018 final amended budget reflected revenue based on actual enrollment and proceeds from a one-time sale of property. Expenditures were based on actual staffing levels.

The fund balance at June 30, 2018 was $ 1.9 million, a $ 1.1 million increase from the prior year. This increase was due primarily to a sale of surplus property for $0.6 million. See Required Supplemental Information section of these financial statements for more budget detail. Revenues and other sources were $ 1.3 million less than projected and expenditures and other financing uses were $ 2.0 million less than projected. Cost containment efforts and carryover of grant projects to the following year are key factors resulting in the favorable variance.

Economic Factors Affecting Next Year's Budgets

The School District's administration and Board of Education (the "Board") consider many factors in the budget process. One of the most important factors affecting the budget is student enrollment. Approximately 75% of the School District's revenue is derived from the State of Michigan's student enrollment-based funding formula. The formula to allocate revenue to school districts is based on the blending of two official pupil counts and a per-pupil funding allocation (called the "Foundation Allowance").

The 2018-2019 budget was adopted in June 2018 and was based on certain assumptions regarding enrollment and state funding. Once the actual student count and funding levels are known, administration and the Board will implement a plan to adjust expenses and amend the budget accordingly.

The School District's revenue is heavily dependent on State 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. During the past several years pupil funding has not grown at the rate of cost increases in the areas of wages, benefits and contributions to the retirement system. This compiled with declining enrollment due to the economy in Michigan and Schools of Choice have added to the financial hardship of the district. In the spring of 2011, the Board of Education approved an administrative plan for Schools of Choice across county boundaries. This decision reversed a declining enrollment situation where the district was losing 400-500 students per year. The Fall FTE (Full Time Equivalent) count for 2012-2013 reflected an increase of 112 FTE from the prior year. However student enrollment has decreased each year since 2013. Stabilizing the District's enrollment is the key to continued financial stability. Accordingly, the district recently hired a marketing professional to promote the district and the achievement of its students with the objective of stabilizing and eventually increasing student enrollment.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Business Department, Eastpointe Community Schools, 24685 Kelly Road, Eastpointe, Michigan, 48021.

BASIC FINANCIAL STATEMENTS

Eastpointe Community Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash	$ 4,667,611
Accounts receivable	199,076
Due from other governmental units	5,483,294
Inventory	16,285
Prepaid items	92,707
Capital assets not being depreciated	50,000
Capital assets - net of accumulated depreciation	31,267,737
Total assets	41,776,710
Deferred outflows of resources	
Deferred amount relating to the net pension liability	9,174,277
Deferred amount relating to the net OPEB liability	789,000
Total deferred outflows of resources	9,963,277
Total assets and deferred outflows of resources	51,739,987

See Accompanying Notes to the Financial Statements

Eastpointe Community Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Liabilities	
Accounts payable	$ 396,017
State aid anticipation note payable	3,894,029
Due to other governmental units	313,416
Accrued expenditures	304,990
Accrued salaries and payroll related liabilities payable	2,724,782
Unearned revenue	620,126
Long-term liabilities	
Debt due within one year	2,038,700
Debt due in more than one year	17,847,244
Net pension liability	44,067,008
Net OPEB liability	15,077,231
Total liabilities	87,283,543
Deferred inflows of resources	
Deferred amount relating to the net pension liability	5,855,544
Deferred amount relating to the net OPEB liability	509,720
Unavailable revenue	19,701
Total deferred inflows of resources	6,384,965
Total liabilities and deferred inflows of resources	93,668,508
Net Position	
Net investment in capital assets	12,408,773
Restricted for	
Debt service	317,007
Unrestricted (deficit)	(54,654,301)
Total net position	$ (41,928,521)

See Accompanying Notes to the Financial Statements

Eastpointe Community Schools
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 20,618,247	$ 37,631	$ 4,838,053	$ (15,742,563)
Supporting services	13,755,763	14,027	1,265,375	(12,476,361)
Food services	2,676,506	70,225	1,881,435	(724,846)
Community services	47,693	-	712,896	665,203
Interest on long-term debt	735,337	-	-	(735,337)
Total governmental activities	$ 37,833,546	$ 121,883	$ 8,697,759	(29,013,904)
	General revenues			
	Property taxes, levied for general purposes			4,588,323
	Property taxes, levied for debt service			3,516,470
	State aid - unrestricted			21,052,211
	Interest and investment earnings			3,383
	Other			738,081
	Total general revenues			29,898,468
	Change in net position			884,564
	Net position - beginning, as restated			(42,813,085)
	Net position - ending			$ (41,928,521)

See Accompanying Notes to the Financial Statements

Eastpointe Community Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Debt Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 4,058,336	$ 479,376	$ 129,899	$ 4,667,611
Accounts receivable	199,076	-	-	199,076
Due from other funds	390,519	-	10,412	400,931
Due from other governmental units	5,179,685	-	303,609	5,483,294
Inventory	-	-	16,285	16,285
Prepaid items	92,707	-	-	92,707
Total assets	$ 9,920,323	$ 479,376	$ 460,205	$ 10,859,904

See Accompanying Notes to the Financial Statements

Eastpointe Community Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Debt Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities				
Accounts payable	$ 396,017	$ -	$ -	$ 396,017
State aid anticipation note payable	3,894,029	-	-	3,894,029
Due to other funds	10,412	65,816	324,703	400,931
Due to other governmental units	313,416	-	-	313,416
Accrued expenditures	54,641	-	-	54,641
Accrued salaries payable	2,724,782	-	-	2,724,782
Unearned revenue	620,126	-	-	620,126
Total liabilities	8,013,423	65,816	324,703	8,403,942
Deferred inflows of resources				
Unavailable revenue				
Grants received	19,701	-	-	19,701
Total liabilities and deferred inflows of resources	8,033,124	65,816	324,703	8,423,643
Fund Balance				
Non-spendable				
Inventory	-	-	16,285	16,285
Prepaid items	92,707	-	-	92,707
Restricted for				
Cafeteria	-	-	109,469	109,469
Debt service	-	413,560	-	413,560
Committed for				
Capital projects	-	-	9,748	9,748
Excess budgeted expenditures over revenues	49,010	-	-	49,010
Assigned for capital projects	400,000	-	-	400,000
Unassigned	1,345,482	-	-	1,345,482
Total fund balance	1,887,199	413,560	135,502	2,436,261
Total liabilities, deferred inflows of resources, and fund balance	$ 9,920,323	$ 479,376	$ 460,205	$ 10,859,904

Eastpointe Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances for governmental funds	$ 2,436,261
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	50,000
Capital assets - net of accumulated depreciation	31,267,737
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from the net pension liability	(5,855,544)
Deferred outflows of resources resulting from the net pension liability	9,174,277
Deferred inflows of resources resulting from the net OPEB liability	(509,720)
Deferred outflows of resources resulting from the net OPEB liability	789,000
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest - other	(96,553)
Accrued interest-school bond loan fund	(3,662)
Claims and judgments	(153,796)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(44,067,008)
Net OPEB liability	(15,077,231)
Compensated absences	(996,681)
Bonds payable	(17,730,000)
School bond loan payable	(811,442)
Other loans payable and liabilities	(344,159)
Net position of governmental activities	$ (41,928,521)

See Accompanying Notes to the Financial Statements

Eastpointe Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	General Fund	Debt Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 5,374,785	$ 3,519,250	$ 71,605	$ 8,965,640
State sources	22,994,481	67,480	66,050	23,128,011
Federal sources	4,806,574	-	1,815,385	6,621,959
Interdistrict sources	2,500	-	-	2,500
Total revenues	33,178,340	3,586,730	1,953,040	38,718,110
Expenditures				
Current				
Education				
Instruction	18,132,431	-	-	18,132,431
Supporting services	13,633,534	-	-	13,633,534
Food services	-	-	2,571,303	2,571,303
Community services	46,651	-	-	46,651
Capital outlay	104,941	-	-	104,941
Debt service				
Principal	237,718	3,038,252	-	3,275,970
Interest and other expenditures	18,064	822,480	-	840,544
Total expenditures	32,173,339	3,860,732	2,571,303	38,605,374
Excess (deficiency) of revenues over expenditures	1,005,001	(274,002)	(618,263)	112,736

See Accompanying Notes to the Financial Statements

Eastpointe Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	General Fund	Debt Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Transfers in	$ 117,492	$ -	$ -	$ 117,492
Transfers out	-	-	(117,492)	(117,492)
Total other financing sources (uses)	117,492	-	(117,492)	-
Net change in fund balance	1,122,493	(274,002)	(735,755)	112,736
Fund balance - beginning	764,706	687,562	871,257	2,323,525
Fund balance - ending	$ 1,887,199	$ 413,560	$ 135,502	$ 2,436,261

Eastpointe Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - Total governmental funds	$ 112,736
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,406,788)
Capital outlay	696,171
Sale of capital assets (net book value)	(2,134,426)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However the amount recorded on the governmental funds equals actual pension contributions.	
Net change in the net pension liability	(182,752)
Net change in the deferrals of resources related to the net pension liability	626,121
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However the amount recorded on the governmental funds equals actual pension contributions.	
Net change in the net OPEB liability	151,088
Net change in the deferrals of resources related to the net OPEB liability	(509,532)
Expenses are recorded when incurred in the statement of activities.	
Interest	105,207
Benefit claims	43,754
Compensated absences	(38,735)
Severance pay	145,750
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources of deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	3,275,970
Change in net position of governmental activities	$ 884,564

See Accompanying Notes to the Financial Statements

Eastpointe Community Schools
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2018

	Agency Funds
Assets	
Cash	$ 277,983
Liabilities	
Accounts payable	$ 4,616
Due to agency fund activities	273,367
Total liabilities	$ 277,983

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity
The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

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

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

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

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

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

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

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

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

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

The School District reports the following major governmental funds:

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

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of long-term debt principal, interest and related costs.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Cafeteria Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Capital Projects Fund – The Building and Site Funds include the Capital Projects Fund. The Capital Projects Fund was established in fiscal year 2003 and was funded with a transfer from the General Fund. The transfer represented the cumulative balance of restitution the School District received in litigation settlements and encumbered capital outlay and repairs funds originally budgeted for in the general fund.

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

Assets, Liabilities and Equity

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

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2018, the rates are as follows per $1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.89920
Commercial personal property	5.89920
Debt Service Funds	7.00000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. All of the School District's tax roll lies within Macomb County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Macomb and remitted to the School District by May 15.

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

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

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of $5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – Sick days are earned by employees at various rates depending on employee classification and years of service. Unlimited unused sick days may be accumulated by an employee. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick and vacation days to a maximum number of days and at a rate determined by their bargaining agreement.

Full-time employees earn sick days at the rate of 10, 12, or 13 per year depending on whether they are a 52 week or less than 52 week employee, respectively. There is no maximum on sick days accumulated.

Teachers, administrators, professional or technical employees are paid $ 400 per year of service and secretarial and clerical employees $ 250 per year of service upon retirement if any of the following conditions are met:

- The employee is eligible for retirement and makes application to the Michigan School Employees Retirement System.

- Secretarial and clerical employees must have worked for minimum five (5) years in Eastpointe Community Schools.

The liability for compensated absences reported in the district-wide financial statements consist of unpaid, accumulated vacation pay balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon termination, are included. The amount reported is salary related and includes no fringe benefits, since the amount of said benefits would be immaterial.

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

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

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

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

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

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

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

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

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

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

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

Adoption of New Accounting Standards
Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. Statement No. 86is effective for the fiscal year ending June 30, 2018.

Upcoming Accounting and Reporting Changes

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

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

Note 2 - Budgetary Information Section

Budgetary Information

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

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

The Superintendent is authorized to transfer budgeted amounts within functions in any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Debt - principal	$ 235,655	$ 237,718	$ 2,063

Note 3 - Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 4,667,611	$ 277,983	$ 4,945,594

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 4,943,911
Petty cash and cash on hand	1,683
Total	$ 4,945,594

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

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

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, $ 4,707,932 of the School District's bank balance of $ 5,258,078 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 55,000	$ -	$ 5,000	$ 50,000
Capital assets being depreciated				
Buildings and improvements	51,430,136	-	2,106,911	49,323,225
Site improvements	1,936,502		-	1,936,502
Equipment and furniture	15,250,042	701,171	57,352	15,893,861
Buses and other vehicles	512,320	-	-	512,320
Total capital assets being depreciated	69,129,000	701,171	2,164,263	67,665,908
Less accumulated depreciation for				
Buildings and improvements	21,748,601	982,007	28,102	22,702,506
Site improvements	1,270,814	96,825	-	1,367,639
Equipment and furniture	11,545,420	290,667	1,735	11,834,352
Buses and other vehicles	456,385	37,289	-	493,674
Total accumulated depreciation	35,021,220	1,406,788	29,837	36,398,171
Net capital assets being depreciated	34,107,780	(705,617)	2,134,426	31,267,737
Net capital assets	$ 34,162,780	$ (705,617)	$ 2,139,426	$ 31,317,737

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

Governmental activities	
Instruction	$ 741,872
Support services	557,804
Food services	105,203
Community services	1,909
Total governmental activities	$ 1,406,788

Note 5 - Interfund Receivable and Payable And Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General Fund	Nonmajor Funds	$ 10,412
Debt Service Fund	General Fund	65,816
Nonmajor Funds	General Fund	324,703
		$ 400,931

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

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

Interfund transfers were made during the year, between the General Fund and the Food Service Fund for $ 117,492 to cover indirect costs of the Food Service Fund.

Note 6 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	$ 5,510,000	$ 3,894,029	$ 5,510,000	$ 3,894,029

Note 7 - Long-Term Debt

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	$ 19,470,000	$ -	$ 1,740,000	$ 17,730,000	$ 1,770,000
School bond loan fund	2,109,694	-	1,298,252	811,442	-
Accrued interest - SBLF	101,481	63,001	160,820	3,662	-
Capital lease	581,877	-	237,718	344,159	246,700
Compensated absences	1,103,696	60,442	167,457	996,681	22,000
Total	$ 23,366,748	$ 123,443	$ 3,604,247	$ 19,885,944	$ 2,038,700

For governmental activities, compensated absences, capital leases, and severance retirement incentives are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

2009 Building and Site Bonds, $ 8,635,000 due in annual installments of $ 530,000 through May 1, 2029, interest at 6.45% to 7.49%	$ 5,830,000
2010 Building and Site Bonds, $ 6,710,000 due in annual installments of $ 450,000 to $ 490,000 starting in May 1, 2017 through May 1, 2030, interest at 5.10% to 6.55%	5,810,000
2011 Building and Site Bonds, $ 7,710,000 due in annual installments of $ 760,000 to $ 765,000 starting in May 1, 2015 through May 1, 2026, interest at 6.20% to 6.50%	6,090,000
Total general obligation bonded debt	$ 17,730,000

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

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,770,000	$ 570,969	$ 570,969
2020	1,770,000	526,444	2,296,444
2021	1,770,000	476,749	2,246,749
2022	1,770,000	427,054	2,197,054
2023	1,770,000	376,326	2,146,326
2024-2026	7,370,000	1,083,954	8,453,954
2027-2030	1,510,000	88,389	1,598,389
Total	$ 17,730,000	$ 3,549,885	$ 19,509,885

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of $ 413,560 to pay this debt. Future debt and interest will be payable from future tax levies.

Equipment Capital Lease

Capital equipment leases include:

	Original Amount	Due Date	Interest Rate
Apple computers	$ 407,635	2019	2.60%
Ricoh copiers	279,186	2020	5.00%
Dell computers	102,795	2019	4.30%
Apple computers	400,599	2020	2.60%

Future principal and interest payments are as follows:

Year ending June 30,	
2019	$ 257,798
2020	100,337
Total minimum lease payments	358,135
Less amount representing interest	13,976
Present value of minimum lease payments	$ 344,159

The assets acquired through capital leases are as follows:

Equipment	$ 1,190,215
Less accumulated depreciation	872,052
Total	$ 318,163

State School Bond Loan
The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's 2009-2011 bond issues. As of June 30, 2018, the School District has $ 17,730,000 left of the issued bonds, which were used to renovate and build District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7.0 mills. Since the monies generated by the 7.0 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow a total of $ 811,442 to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the 2009-2011 bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed $ 0 and had an outstanding balance at year end of $ 811,442 from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Interest expenditures for the fiscal year in the General Fund and the Debt Service Fund was $ 840,544 and $ 633,790, respectively.

Compensated Absences/Severance Pay
Accrued compensated absences at year end, consist of $ 41,681 of vacation hours earned and vested. The School District offers a severance incentive plan to employees based on years of services to be paid to individuals retiring from the district that are eligible for retirement benefits according to the rules of the State Retirement System and who are presently at the maximum step of their appropriate track on the salary schedule. The balance as of year end was $ 955,000.

Note 8 - Risk Management

The School District is self-insured for health insurance, including prescription and dental coverage. The School District has contracted with an independent administrator to process these claims and perform other administrative duties. Claims are administered by Blue Cross Blue Shield. The liability is calculated each quarter based upon claims already incurred and reported. Estimated liabilities for the years ended June 30, 2018 and 2017 are $ 153,796 and $ 169,319, respectively.

Change in estimated liabilities for claims for the above benefits for the years is as follows:

	2018	2017
Estimated liability at the beginning of the year	$ 187,750	$ 208,610
Estimated claims incurred including changes in estimates	3,140,568	3,845,338
Claim payments	(3,174,522)	(3,866,198)
Estimated liability end of year	$ 153,796	$ 187,750

The School District participates in a public entity risk pool through the School Employers Group. With the exception of Workers Compensation and prescription and dental heath coverage, as described above, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements for the year ended June 30, 2018.

Note 9 - Pension Plan

Plan Description

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

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 on the ORS website at www.michigan.gov/orsschools.

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 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB 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.

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, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the School District were $ 3,988,559 for the year ending September 30, 2017.

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

At June 30, 2018, the School District reported a liability of $ 44,067,008 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The School 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, 2017, the School District's proportion was .1700 percent, which was a decrease of .0058 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was $ 3,875,911.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ 382,972	$ (216,228)	$ 166,744
Changes of assumptions	4,827,891	-	4,827,891
Net difference between projected and actual earnings on pension plan investments	-	(2,106,693)	(2,106,693)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	978	(1,809,612)	(1,808,634)
Total to be recognized in future	5,211,841	(4,132,533)	1,079,308
School District contributions subsequent to the measurement date	3,962,436	(1,723,011)	2,239,425
Total	$ 9,174,277	$ (5,855,544)	$ 3,318,733

Contributions subsequent to the measurement date 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2018	$ 111,071
2019	926,884
2020	294,493
2021	(253,140)
	$ 1,079,308

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:

  - o MIP and Basic Plans (Non-Hybrid): 7.5%
  - o Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

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

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

Rate of Return
For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. 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 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash

flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
$ 57,404,654	$ 44,067,008	$ 32,837,559

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

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 10 - Postemployment Benefits Other Than Pensions (OPEB)

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

The System's health plan provides all eligible 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 on the ORS website at www.michigan.gov/orsschools.

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.

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 OPEB 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, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	5.91%
Personal Healthcare Fund (PHF)	0.0%	5.69%

Required contributions to the OPEB plan from the School District were $ 1,325,537 for the year ended September 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2018, the School District reported a liability of $ 15,077,231 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School 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, 2017, the School District's proportion was .1703 percent, which was unchanged from its proportion measured as of September 30, 2016. At September 30, 2017, the total OPEB expense for the School District was $ 1,008,903.

At June 30, 2018, the School 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	Total
Difference between expected and actual experience	$ -	$ (160,528)	$ (160,528)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	1,891	(349,192)	(347,301)
Total to be recognized in future	1,891	(509,720)	(507,829)
School District contributions subsequent to the measurement date	787,109	-	787,109
Total	$ 789,000	$ (509,720)	$ 279,280

Contributions subsequent to the measurement date 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)		
2018	$	(122,752)
2019		(122,752)
2020		(122,752)
2021		(122,752)
2022		(16,821)
	$	(507,829)

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Other 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 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on 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, 2017, are summarized in the following table:

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

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

Rate of Return
For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. 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 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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 OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the School 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 higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
$ 17,659,795	$ 15,077,231	$ 12,885,443

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

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of 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 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
$ 12,768,388	$ 15,077,231	$ 17,698,762

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 11 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2018.

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Note 12 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the City Warren. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties

For the fiscal year ended June 30, 2018, the School District's property tax revenues were not reduced under these programs.

Note 13 - Adoption of New Accounting Standards

As indicated in Note 1, the School District has adopted Governmental Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by $ 14,439,507 restating it from ($ 28,373,578) to ($ 42,813,085).

REQUIRED SUPPLEMENTARY INFORMATION

Eastpointe Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Revenues				
Local sources	$ 5,614,251	$ 5,347,337	$ 5,374,785	$ 27,448
State sources	21,259,653	23,593,229	22,994,481	(598,748)
Federal sources	5,614,735	5,582,596	4,806,574	(776,022)
Interdistrict sources	-	2,500	2,500	-
Total revenues	32,488,639	34,525,662	33,178,340	(1,347,322)
Expenditures				
Instruction				
Basic programs	11,118,930	12,500,914	12,301,397	(199,517)
Added needs	6,238,576	6,281,155	5,831,034	(450,121)
Supporting services				
Pupil	1,881,960	2,157,694	2,138,154	(19,540)
Instructional staff	2,379,054	2,595,954	2,057,502	(538,452)
General administration	696,421	537,289	529,878	(7,411)
School administration	2,179,410	2,358,713	2,338,270	(20,443)
Business	594,518	542,654	536,343	(6,311)
Operations and maintenance	3,585,310	3,384,286	3,260,446	(123,840)
Pupil transportation services	1,560,114	1,304,449	1,258,859	(45,590)
Central	908,527	1,021,640	919,492	(102,148)
Athletics	364,734	871,629	594,590	(277,039)
Community services	100,961	75,287	46,651	(28,636)
Capital outlay	430,386	249,184	104,941	(144,243)
Debt service				
Principal	250,772	235,655	237,718	2,063
Interest and fiscal charges	24,094	22,143	18,064	(4,079)
Total expenditures	32,313,767	34,138,646	32,173,339	(1,965,307)
Excess of revenues over expenditures	174,872	387,016	1,005,001	617,985

Eastpointe Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Other Financing Sources				
Transfers in	123,181	95,000	117,492	22,492
Net change in fund balance	298,053	482,016	1,122,493	640,477
Fund balance - beginning	764,706	764,706	764,706	-
Fund balance - ending	$ 1,062,759	$ 1,246,722	$ 1,887,199	$ 640,477

Eastpointe Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Reporting unit's proportion of the net pension liability (%)	0.17005%	0.17589%	0.17770%	0.18296%						
B.	Reporting unit's proportionate share of the net pension liability	$ 44,067,008	$ 43,884,256	$ 43,414,642	$ 40,300,003						
C.	Reporting unit's covered-employee payroll	$ 14,015,092	$ 14,803,566	$ 14,945,500	$ 15,876,831						
D.	Reporting unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	314.43%	296.44%	290.49%	253.83%						
E.	Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	64.95%	66.20%						

Note Disclosures:
Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.
Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

Eastpointe Community Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Statutorily required contributions	$ 4,054,564	$ 4,713,577	$ 2,790,350	$ 3,337,518						
B.	Contributions in relation to statutorily required contributions	4,054,564	4,713,577	2,790,350	3,337,518						
C.	Contribution deficiency (excess)	$ -	$ -	$ -	$ -						
D.	Reporting unit's covered-employee payroll	$ 13,883,229	$ 13,974,306	$ 14,952,201	$ 15,130,964						
E.	Contributions as a percentage of covered-employee payroll	29.20%	33.73%	18.66%	22.06%						

Eastpointe Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Reporting unit's proportion of the net OPEB liability (%)	0.17026%									
B.	Reporting unit's proportionate share of the net OPEB liability	$ 15,077,231									
C.	Reporting unit's covered-employee payroll	$ 14,015,092									
D.	Reporting unit's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	107.58%									
E.	Plan fiduciary net position as a percentage of total OPEB liability	36.39%									

Note Disclosures:
Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.
Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

Eastpointe Community Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Statutorily required contributions	$ 820,543									
B.	Contributions in relation to statutorily required contributions	820,543									
C.	Contribution deficiency (excess)	$ -									
D.	Reporting unit's covered-employee payroll	$ 13,883,229									
E.	Contributions as a percentage of covered-employee payroll	5.91%									

OTHER SUPPLEMENTARY INFORMATION

Eastpointe Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Fund	Building and Site Funds	Total Nonmajor Governmental Funds
	Cafeteria	Capital Projects Fund	
Assets			
Cash	$ 129,899	$ -	$ 129,899
Due from other funds	664	9,748	10,412
Due from other governmental units	303,609	-	303,609
Inventory	16,285	-	16,285
Total assets	$ 450,457	$ 9,748	$ 460,205
Liabilities			
Due to other funds	$ 324,703	$ -	$ 324,703
Fund Balance			
Non-spendable			
Inventory	16,285	-	16,285
Restricted for:			
Cafeteria	109,469	-	109,469
Committed for capital projects	-	9,748	9,748
Total fund balance	125,754	9,748	135,502
Total liabilities and fund balance	$ 450,457	$ 9,748	$ 460,205

Eastpointe Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Special Revenue Fund Cafeteria	Building and Site Fund Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues			
Local sources	$ 71,305	$ 300	$ 71,605
State sources	66,050	-	66,050
Federal sources	1,815,385	-	1,815,385
Total revenues	1,952,740	300	1,953,040
Expenditures			
Current			
Education			
Food services	2,571,303	-	2,571,303
Excess (deficiency) of revenues over expenditures	(618,563)	300	(618,263)
Other Financing Sources (Uses)			
Transfers out	(117,492)	-	(117,492)
Net change in fund balance	(736,055)	300	(735,755)
Fund balance - beginning	861,809	9,448	871,257
Fund balance - ending	$ 125,754	$ 9,748	$ 135,502

Eastpointe Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2018

Year Ending June 30,	2009 Building & Site	2010 Building & Site	2011 Building & Site	Total
2019	$ 530,000	$ 480,000	$ 760,000	$ 1,770,000
2020	530,000	480,000	760,000	1,770,000
2021	530,000	480,000	760,000	1,770,000
2022	530,000	480,000	760,000	1,770,000
2023	530,000	480,000	760,000	1,770,000
2024	530,000	480,000	760,000	1,770,000
2025	530,000	480,000	765,000	1,775,000
2026	530,000	490,000	765,000	1,785,000
2027	530,000	490,000	-	1,020,000
2028	530,000	490,000	-	1,020,000
2029	530,000	490,000	-	1,020,000
2030	-	490,000	-	490,000
Total	$ 5,830,000	$ 5,810,000	$ 6,090,000	$ 17,730,000
Principal payments due the first day of	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	
Interest rate	6.45% - 7.49%	5.05% - 6.55%	6.20% - 6.50%	
Original issue	$ 8,635,000	$ 6,710,000	$ 7,710,000	