



REPORT ON FINANCIAL STATEMENTS
(with required and additional information)

JUNE 30, 2018



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INDEPENDENT AUDITORS' REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the School adopted new accounting guidance, GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules on pages 3–9 and 38-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Jordan Public School's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2018, on our consideration of East Jordan Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering East Jordan Public School's internal control over financial reporting and compliance.

Traverse City, MI
September 25, 2018

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

This section of the East Jordan Public School’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

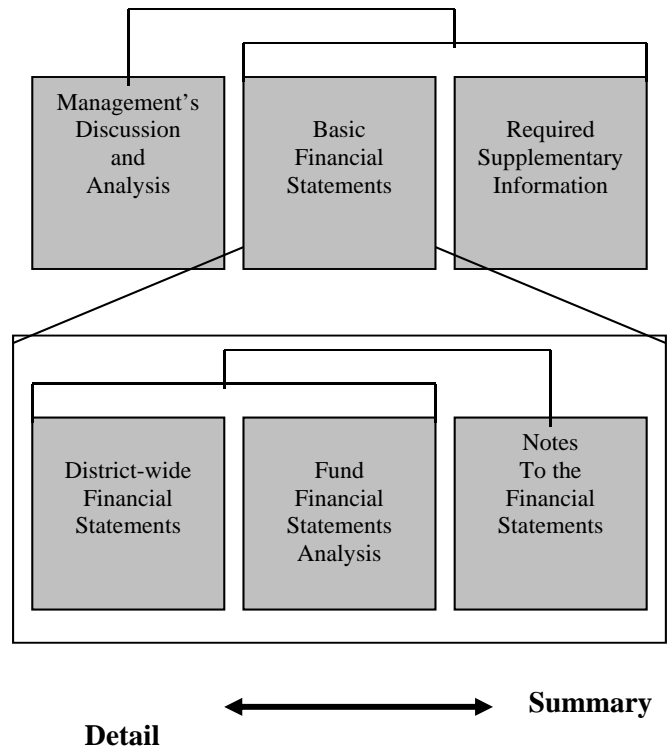
Financial Highlights

- Looking at the District as a whole (including General, Food Service, Debt Retirement, and Sinking Funds), total net position increased by 12.96% to approximately (\$5.83) million compared to approximately (\$6.70) million last year.
- The current year Statement of Net position includes the District’s share of the MPSERS unfunded liabilities related to Pension and OPEB in accordance with GASB 68 and GASB 75. The total of these liabilities as of June 30, 2018 are \$18,804,938.
- In the current fiscal year, the fund balance in the General Fund increased by \$174,668. At the end of the current fiscal year, the fund balance was \$790,285 or 8.82% of total General Fund expenditures.
- The taxable value of all properties in the District increased by 1.7%.
- Student enrollment based on a blended count, decreased 2.2% to approximately 859 students.

Overview of the Financial Statements

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

**Figure A1
Required Components of
The District’s Annual Financial Report**



- The first two statements are districtwide financial statements that provide both long-term and short-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the government-wide statements.

The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A2 summarizes the major features of the District's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A2			
Major Features of the District-Wide and Fund Financial Statements			
	District-Wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district is the trustee or agent for someone else's resources such as student activities monies
Required Financial Information	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year regardless of when cash is received or paid.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Districtwide Statements

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

The two districtwide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

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

The government-wide financial statements of the District are:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at yearend that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this report includes reconciliation schedules that explain the relationship (or differences) between the Districtwide Statements and the Fund financial Statements.
- Fiduciary funds – The District is trustee, or fiduciary, for assets that belong to others, such as student activities and scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Financial Analysis of the District as a Whole

Net position. The District's combined net position was higher on June 30, 2018 than they were the year before. Figure A3 illustrates the valuation of net position on June 30, 2018 and 2017.

Figure A3

Condensed Statement of Net position

	2018	2017
Assets		
Current	\$ 10,225,570	\$ 11,609,450
Noncurrent	12,985,760	10,302,686
Total assets	23,211,330	21,912,136
Deferred Outflows of Resources	2,925,559	1,613,777
Total assets and deferred outflows	\$ 26,136,889	\$ 23,525,913
Liabilities		
Current	\$ 3,744,933	\$ 2,280,113
Non-Current	26,840,919	27,430,563
Total liabilities	30,585,852	29,710,676
Deferred Inflows of Resources	1,388,050	521,467
Net position		
Invested in capital assets, net of related debt	4,444,618	1,144,000
Nonspendable	23,300	16,541
Restricted	6,411,398	9,316,373
Unassigned	(16,716,329)	(17,183,144)
Total net position – (2017 restated)	(5,837,013)	(6,706,230)
Total liabilities and net position	\$ 26,136,889	\$ 23,525,913

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Figure A4

Results of Operations:

	2018	2017
Revenues:		
Property taxes	\$ 4,603,726	\$ 4,505,771
Unrestricted state aid	3,844,278	3,870,717
Other general revenues	94,177	92,742
Interest and investment earnings	47,725	4,512
Charges for services	313,802	321,047
Grants and contributions	2,169,675	1,853,107
Total revenues	11,073,383	10,647,895
Expenditures:		
Instruction	5,346,777	5,578,835
Pupil and instructional services	454,791	419,770
Administration and business	1,121,726	1,072,050
Operation and maintenance	663,627	631,869
Capital outlay	256,889	71,293
Pupil transportation	459,859	476,895
Community services	284,546	282,460
Food service activities	485,391	472,536
Athletic activities	242,736	226,650
Interest on long-term debt	298,905	75,800
Depreciation (unallocated)	588,919	714,760
Total expenditures	10,204,166	10,022,918
CHANGE IN NET POSITION	\$ 869,217	\$ 624,977

The District's financial position is the product of many factors:

- Property tax revenues in 2017-2018 increased \$97,955 mainly due to an increase in the sinking fund millage rate from .3938 mills to 1.0411 mills and a decrease in the debt retirement millage from 3.06 mills to 2.46 mills.
- The 2017-2018 per pupil Foundation Grant (consisting of non-homestead property tax revenue and state aid) was increased by \$120 per pupil.
- Enrollment in the District decreased by 19 (blended count) compared to a decrease of 19 students the prior year.
- Grants and contributions increased \$316,568 mainly due to an increase in Sec. 31a At-Risk funding, Universal Service Fund grants for technology improvements, and a middle/high school roof insurance claim.
- Interest on long-term debt increased \$223,105 due to first year interest on the 2017 bond debt.

Financial Analysis of the District's Funds

As the District completed the year its governmental funds reported combined fund balances of \$7,205,074, which is a decrease from the previous year's ending fund balance of \$9,935,254. Much of the decrease is due to capital outlay expenditures.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times. The budget amendments were for changes made at the end of the second quarter to account for final enrollment counts and changes made in assumptions since the original budget was adopted. Significant items causing budget adjustments are:

- The budget for State sources of revenue was increased \$284,740 due to 1) an increase in Sec. 147c UAAL revenue which is paid by the District to the Michigan Public School Employee Retirement System, 2) an increase in Sec. 31a At-Risk revenue, and 3) an increase in Sec. 61b CTE/dual enrollment funds.
- The budget for Federal sources of revenue was increased \$67,955 mainly due to increases in Title I, Title IIa, and Title IV funding.
- The budget for Interdistrict sources of revenue was increased \$49,945, mainly due to an increase in CTE funding from the intermediate school district.
- Basic programs instruction budgeted expenditures were increased \$70,075 due to increased middle/high school staffing and an increased Sec. 147c retirement expenditure allocation.
- Added needs instruction budgeted expenditures were increased \$113,619 due to an expected increase in At-Risk, Title I, Title IIa, and Title IV program expenditures.
- Instructional Staff expenditures budget was increased \$60,335 due to an expected increase in CTE supply expenditures.
- The budget for Operations and Maintenance was increased \$41,585 due to expected expenditures for auditorium sound and lighting equipment, increased electric costs, building painting and increased contract staffing costs.

At the end, actual expenditures were \$8,956,361 compared to \$9,079,438 budgeted, which represents a favorable budget variance of \$123,077.

Actual revenues were \$9,127,029 compared to \$9,164,119 budgeted, which represents an unfavorable budget variance of \$37,090.

Capital Asset and Debt Administration

As of June 30, 2018, the District had invested \$24,921,973 in a broad range of capital assets, including school buildings, athletic facility improvements, software, buses, technology and electronic surveillance equipment.

	Beginning of year	Additions	Disposals	End of year
Land	\$ 70,868	\$ -	\$ -	\$ 70,868
Construction in progress	-	2,843,887	-	2,843,887
Buildings and improvements	18,813,745	227,133	-	19,040,878
Land Improvements	377,155	5,800	-	382,955
Furniture and Equipment	1,621,772	110,788	-	1,732,560
Vehicles	766,440	84,385	-	850,825
Total historical cost	21,649,980	3,271,993	-	24,921,973
Less accumulated depreciation:	11,347,294	588,919	-	11,936,213
Net capital assets	<u>\$ 10,302,686</u>	<u>\$ 2,683,074</u>	<u>\$ -</u>	<u>\$ 12,985,760</u>

Current year additions include a transit van, bus, welding equipment, and building improvements. Building renovation projects started but not yet completed at year end have been recorded as construction in progress.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Long Term Debt:

Total long-term debt at June 30, 2018 was \$8,670,981. Below is the debt activity for the year:

	Beginning of year	Additions	Decreases	End of year
Bonds and installment agreements	\$ 9,158,686	\$	\$ 617,544	\$ 8,541,142
Other liabilities				
Compensated absences	<u>131,859</u>	<u></u>	<u>2,020</u>	<u>129,839</u>
Total long-term liabilities	<u>\$ 9,290,545</u>	<u>\$</u>	<u>\$ 619,564</u>	<u>\$ 8,670,981</u>

Factors Bearing on the District's Future

The following factors have been considered in preparing the budget for the 2018/2019 fiscal year:

- For 2018-2019, the District's enrollment was expected to hold steady while the Student Foundation Grant will increase to \$7,871.
- In July 2018, the District ratified three year contracts (2018-2021) with its teacher assistants, and food service staff. In September 2018, the District ratified a three year contract (2018-2021) with its bus drivers.
- The District's construction project is expected to be completed during 2018-2019. The project includes classroom and building office improvements, technology upgrades, bus purchases and remodeling of the middle/high school gymnasium.

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 questions about this report or need additional financial information, contact East Jordan Public Schools Business Office.

**EAST JORDAN PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 9,310,460
Other Receivables	19,540
Due from other governmental units	872,270
Inventory and prepaid items	<u>23,300</u>
Total current assets	<u>10,225,570</u>
Noncurrent assets:	
Capital assets	24,921,973
Less: accumulated depreciation	<u>11,936,213</u>
Total noncurrent assets	<u>12,985,760</u>
Total assets	<u>23,211,330</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	2,663,076
Deferred outflows related to OPEB	<u>262,483</u>
Total deferred outflows of resources	<u>2,925,559</u>

LIABILITIES

Current liabilities:	
Accounts payable and other current liabilities	1,950,673
Due to other governmental units	154,679
Unearned revenue	99,155
Salaries payable	405,426
Note Payable	500,000
Current portion of long term debt	<u>635,000</u>
Total current liabilities	3,744,933
Noncurrent liabilities:	
Noncurrent portion of long-term debt and liabilities	8,035,981
Net pension liability	14,019,353
Net OPEB liability	<u>4,785,585</u>
Total noncurrent liabilities	<u>26,840,919</u>
Total liabilities	<u>30,585,852</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	1,226,263
Deferred inflows related to OPEB	<u>161,787</u>
Total deferred inflows of resources	<u>1,388,050</u>

Net position:	
Invested in capital assets, net of related debt	4,444,618
Nonspendable	23,300
Restricted	6,411,398
Unassigned	<u>(16,716,329)</u>
Total Net Position	<u>\$ (5,837,013)</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Net (expenses) And changes in Net position
Governmental activities:					
Instruction	\$ 5,346,777	\$ 7,090	\$ 1,440,453	\$ -	\$ (3,899,234)
Supporting services:					
Pupil	285,599	-	105,076	-	(180,523)
Instructional staff	169,192	-	20,544	-	(148,648)
General administration	468,509	-	21,813	-	(446,696)
School administration	597,910	-	1,200	-	(596,710)
Business	55,307	-	-	-	(55,307)
Operation and maintenance	663,627	-	16,947	-	(646,680)
Capital Outlay	256,889	-	-	149,962	(106,927)
Pupil transportation services	459,859	7,622	11,493	-	(440,744)
Community services	284,546	69,404	44,654	-	(170,488)
Food service	485,391	161,630	336,353	-	12,592
Athletic activities	242,736	68,056	21,180	-	(153,500)
Interest on long term debt	298,905	-	-	-	(298,905)
Depreciation (unallocated)	588,919	-	-	-	(588,919)
Total governmental activities	\$ 10,204,166	\$ 313,802	\$ 2,019,713	\$ 149,962	(7,720,689)
General revenues:					
					3,349,431
Property taxes, levied for general purposes					881,732
Property taxes, levied for debt services					372,563
Property taxes, levied for capital expenditures					3,844,278
Unrestricted state aid and federal grants					47,725
Interest and investment earnings					94,177
Other revenues					8,589,906
Total General revenues					8,589,906
CHANGES IN NET POSITION					
					869,217
Net position – beginning of year, as reported					(1,658,498)
Prior period adjustment – GASB 75					(5,047,732)
Net position – beginning of year, restated					(6,706,230)
Net position – end of year					\$ (5,837,013)

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2018**

ASSETS	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,461,040	\$ 7,301,678	\$ 547,742	\$ 9,310,460
Receivables:				
Accounts	11,814	-	7,726	19,540
Due from other funds	5,143	73,326	-	78,469
Due from other governmental units	866,854	-	5,416	872,270
Inventory	-	-	2,041	2,041
Prepaid Expenses	19,909	-	1,350	21,259
	<u>\$ 2,364,760</u>	<u>\$ 7,375,004</u>	<u>\$ 564,275</u>	<u>\$ 10,304,039</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 61,857	\$ 1,458,335	\$ 57,186	\$ 1,577,378
Due to other funds	73,326	-	5,143	78,469
Due to other governmental units	154,679	-	-	154,679
Accrued expenditures	283,672	-	186	283,858
Unearned revenue	96,061	-	3,094	99,155
Salaries payable	404,880	-	546	405,426
Notes Payable	500,000	-	-	500,000
Total liabilities	<u>1,574,475</u>	<u>1,458,335</u>	<u>66,155</u>	<u>3,098,965</u>
Fund balances:				
Nonspendable	19,909	-	3,391	23,300
Restricted	-	5,916,669	494,729	6,411,398
Unassigned	770,376	-	-	770,376
Total fund balances	<u>790,285</u>	<u>5,916,669</u>	<u>498,120</u>	<u>7,205,074</u>
	<u>\$ 2,364,760</u>	<u>\$ 7,375,004</u>	<u>\$ 564,275</u>	<u>\$ 10,304,039</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Total Fund Balance Governmental Funds		\$ 7,205,074
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>		
	The cost of capital assets is	24,921,973
	Accumulated depreciation is	<u>(11,936,213)</u>
		12,985,760
<p>Long-term liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
	Bonds payable	(8,310,000)
	Bond premium	(231,142)
	Compensated absences	(129,839)
	Net OPEB liability	(4,785,585)
	Net Pension liability	<u>(14,019,353)</u>
		(27,475,919)
	Accrued interest payable is not included as a liability in governmental funds	(89,437)
<p>Deferred inflows and outflows of resources are not reported in governmental funds.</p>		
	Deferred outflows related to OPEB	262,483
	Deferred outflows related to pensions	2,663,076
	Deferred inflows related to OPEB	(161,787)
	Deferred inflows related to pensions	<u>(1,226,263)</u>
		1,537,509
Total net position governmental activities		<u>\$ (5,837,013)</u>

See notes to financial statements.

EAST JORDAN PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 3,349,431	\$ -	\$ 1,258,241	\$ 4,607,672
Other local sources	334,468	188,312	168,184	690,964
State sources	4,648,014	-	27,478	4,675,492
Federal sources	243,928	-	304,139	548,067
Interdistrict and other sources	551,188	-	-	551,188
Total revenues	<u>9,127,029</u>	<u>188,312</u>	<u>1,758,042</u>	<u>11,073,383</u>
EXPENDITURES:				
Instruction:				
Basic instruction	4,302,080	-	-	4,302,080
Added needs	1,426,996	-	-	1,426,996
Total Instruction	<u>5,729,076</u>	<u>-</u>	<u>-</u>	<u>5,729,076</u>
Support Services:				
Pupil services	285,599	-	-	285,599
Instructional staff	169,192	-	-	169,192
General Administration	468,509	-	-	468,509
School Administration	597,910	-	-	597,910
Business	55,307	-	-	55,307
Operations and Maintenance	663,627	-	-	663,627
Transportation	459,859	-	-	459,859
Support services	284,546	-	-	284,546
Food service	-	-	485,391	485,391
Athletic activities	242,736	-	-	242,736
Capital outlay	-	3,313,198	215,684	3,528,882
Debt principal payments	-	-	600,000	600,000
Debt interest and other charges	-	8,025	224,904	232,929
Total support services	<u>3,227,285</u>	<u>3,321,223</u>	<u>1,525,979</u>	<u>8,074,487</u>
Total expenditures	<u>8,956,361</u>	<u>3,321,223</u>	<u>1,525,979</u>	<u>13,803,563</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>170,668</u>	<u>(3,132,911)</u>	<u>232,063</u>	<u>(2,730,180)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	4,000	-	109,826	113,826
Operating transfers out	<u>-</u>	<u>-</u>	<u>(113,826)</u>	<u>(113,826)</u>
Total other financing sources (uses)	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	174,668	(3,132,911)	228,063	(2,730,180)
FUND BALANCE beginning of year	<u>615,617</u>	<u>9,049,580</u>	<u>270,057</u>	<u>9,935,254</u>
FUND BALANCE End of year	<u>\$ 790,285</u>	<u>\$ 5,916,669</u>	<u>\$ 498,120</u>	<u>\$ 7,205,074</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Total net change in fund balances governmental funds **\$ (2,730,180)**

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Depreciation expense	(588,919)	
Capital Outlay	<u>3,271,993</u>	2,683,074

Interest on long-term debt in the statement of activities differs from the amount recorded when it is due, and thus requires the use of current financial resources. (83,520)

In the statement of activities, certain compensated absences and special termination benefits are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The amounts included in the statement of activities are:

Compensated absences	2,020
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Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Repayment of principal	600,000	
Bond premium	<u>17,544</u>	617,544

The Governmental funds report pension and OPEB expense based on the monthly payroll expense, whereas the net Pension and OPEB liabilities are not a use of current resources of governmental funds. The net adjustment of the Pension and OPEB liabilities in the statement of activities are:

Change in Net Pension Liability and related deferred inflows and outflows	362,843	
Change in Net OPEB Liability and related deferred inflows and outflows	<u>17,436</u>	380,279

Change in net position of governmental activities. **\$ 869,217**

**EAST JORDAN PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
JUNE 30, 2018 AND 2017**

	2017	2018
ASSETS		
Cash	\$ 90,285	\$ 140,223
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 90,285	\$ 140,223

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based on the application of these criteria, the general purpose financial statements of East Jordan Public Schools contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the District a component unit of another entity.

B. Government-wide and fund financial statements

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

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

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 are recorded only when a payment is due.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The district reports the following major governmental funds:

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

Additionally, the district reports the following fund types:

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

The *Sinking Fund* capital projects fund records capital project activities funded with a Sinking Fund millage. For this fund, the expenditures in the Sinking Fund are in compliance with the applicable provisions of MCL 380.1212 of the revised school code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

The *capital project fund* includes capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the East Jordan Public Schools capital projects fund from the inception of the fund through the current fiscal year.

	Building and Site Bond
Revenue and other financing sources	<u>\$ 9,347,088</u>
Expenditures and other financing uses	<u>\$ 3,430,419</u>

For this capital project fund, the school district has complied with the applicable provisions of Sec.1351a of the Revised School Code. Beginning in the year of bond issuance, the District has reported the annual construction activity in the Capital Projects fund. The project for which the Building and Site Bonds were issued is not yet complete, and the cumulative expenditures recognized for the construction period were \$3,430,419.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Property taxes, state foundation revenue, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time. State and federal revenues are recognized as follows:

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

State Foundation Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the District Aid Act and the District Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2018 the foundation allowance was based on the pupil membership counts taken in October and February 2017.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2017 to August 2018. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 D3– Accounting for Property Taxes.

Categorical

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Assets, Liabilities and Equity

1. Cash and investments

The District reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

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

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Short-term Interfund Receivables/Payables

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

3. Accounting for Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected

For the year ended June 30, 2018, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund	
Non-Principle Residence Exemption (PRE)	18.0000
Commercial personal property	6.0000
Debt service funds (homestead & non-homestead)	
PRE, Non-PRE, Commercial Personal Property	2.4600
Sinking Fund	
PRE, Non-PRE, Commercial Personal Property	1.0411

4. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized and are not included as a reservation of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the district as assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donations.

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

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

Buildings	50 yrs
Building and site improvements	20 yrs
General equipment	10-15 yrs
Vehicles	8 yrs
Office furniture and fixtures	7 yrs
Computer equipment	5 yrs

6. Compensated Absences

Accumulated vacation and sick pay amounts which are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the general fund while the remainder of the liability is recorded in the general long-term debt group of accounts.

Employees of East Jordan Public Schools earn sick leave days to be used for personal illness and/or disability. Teachers employed less than five years earn ten days per year. Teachers employed for five years or more earn twelve days per year. Secretaries, custodians, and administrators earn one sick leave day per month worked. Employees can accumulate a maximum amount of sick leave days to be available in future years as follows: each teacher can accumulate 120 sick days; secretaries and custodians can accumulate 120 sick days; bus drivers can accumulate 100 sick days. Teacher assistants and food service staff, earn one sick leave day per month worked and can accumulate a maximum of 90 days to be available in future years. The superintendent, executive secretary, director of business, business office assistant, and director of transportation earn 2 to 4 weeks of paid vacation annually. Custodians earn 2 to 4 weeks of paid vacation annually depending on years of service.

7. Unemployment Insurance

The District reimburses the State of Michigan for the actual amount of unemployment benefits disbursed by the State on behalf of the District. Billings received for amounts paid by the State through June 30 are accrued.

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

9. Use of Estimates

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

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Fund Balance

Fund balances are reported in the following classifications: *Nonspendable*, includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted*, includes amounts that are restricted to specific purposes, or imposed by law through constitutional provisions or enabling legislation. *Committed*, are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education. *Assigned*, amounts that are constrained by the Superintendent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund. It represents amounts that have not been restricted, committed or assigned to a specific purpose. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

11. Pensions

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. 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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. 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 & inflows of resources, and expenses. For defined OPEB plans, the 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.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The District maintains a formalized encumbrance accounting system.

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

1. The Superintendent submits to the District Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditure and changes in fund balances – budget and actual – GAAP basis – general and special revenue funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the District Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the Budgeting Act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balance – budget and actual – GAAP basis – general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the District Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

B. Expenditures that exceeded appropriations are as follows:

Fund	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund:			
School Administration	\$ 590,476	\$ 597,910	\$ 7,434
Business Administration	55,173	55,307	134
Central Support Services	107,333	113,935	6,602

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DEPOSITS, INVESTMENTS AND CREDIT RISK

Cash and cash equivalents are held separately in the name of the District by each of the District’s funds.

Deposits

At year-end, the carrying amount of the District’s deposits were \$9,310,460 and the bank balance was \$9,491,978 of which \$416,951 was covered by federal depository insurance and \$9,075,027 was uninsured and uncollateralized. The District has \$130 in petty cash on hand.

Interest Rate Risk – The district will monitor interest rate risk by using and analyzing, segmented time distribution, specific identification and time duration of investments.

Credit Risk State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers’ acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The district has no investment policy that would further limit its investment choices. As of June 30, 2018, the district’s investment in the MILAF pool was rated AAAM by Standard and Poor’s.

Concentration of Credit Risk – The district may invest 100% of available reserves with U.S. Treasury securities completely guaranteed by the Treasury.

A reconciliation of cash as shown on the combined balance sheet follows:

Cash on hand	\$ 130
Carrying amount of deposits	2,148,828
Investments	<u>7,161,502</u>
Total	<u>\$ 9,310,460</u>
Cash and cash equivalents:	
Governmental activities	\$ 9,310,460
Fiduciary funds	<u>140,223</u>
Total	<u>\$ 9,450,683</u>

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RECEIVABLES

Receivables at June 30, 2018 consist of the following:

Governmental units	\$ 872,270
Other	<u>19,540</u>
	<u><u>\$ 891,810</u></u>

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs. Because of the District’s favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 5 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They relate to the District's net pension plan and OPEB liabilities and are composed from the changes in assumptions, changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises from the District's net pension plan liability. It is composed of the District's share of the net difference between projected and actual earnings on pension plan investments.

NOTE 6 – LONG-TERM DEBT

At June 30, 2018, General obligation debts and other long-term obligations currently outstanding are as follows:

\$8,910,000 2017 serial bonds payable in annual installments of \$600,000 to \$705,000 through May 1, 2032; interest at 3.00%	<u>\$ 8,310,000</u>
Total bonded debt	8,310,000
Compensated absences	<u>129,839</u>
	<u><u>\$ 8,439,839</u></u>

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – LONG-TERM DEBT (continued)

The annual requirements to amortize long-term obligations outstanding as of June 30, 2018 including interest of \$1,848,450 are as follows:

Year ending June 30,	Principal	Interest	Total
2019	635,000	249,300	884,300
2020	665,000	230,250	895,250
2021	685,000	210,300	895,300
2022	705,000	189,750	894,750
2023	490,000	168,600	658,600
2024-2028	2,680,000	613,500	3,293,500
2029-2032	\$ 2,450,000	\$ 186,750	\$ 2,636,750
	8,310,000	1,848,450	10,158,450
Compensated absences	129,839	-	129,839
	<u>\$ 8,439,839</u>	<u>\$ 1,848,450</u>	<u>\$ 10,288,289</u>

At June 30, 2018, net position of \$167,780 was available in the debt service funds to service the general obligation debt.

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

	Beginning Balance	Additions	Reductions	Ending balance	Due within one year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 8,910,000	\$ -	\$ (600,000)	\$ 8,310,000	\$ 635,000
Bond Premium	248,686	-	(17,544)	231,142	-
Total bonds payable	9,158,686	-	(617,544)	8,541,142	635,000
Other liabilities:					
Compensated absences	131,859	-	(2,020)	129,839	-
Total long-term liabilities	<u>\$ 9,290,545</u>	<u>\$ -</u>	<u>\$ (619,564)</u>	<u>\$ 8,670,981</u>	<u>\$ 635,000</u>

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – NOTE PAYABLE

At June 30, 2018 the District has outstanding a \$500,000 revenue note (state aid note). The note, which has an interest rate of 1.49%, matures August 22, 2018. The note is secured by the full faith and credit of the District, the investment contract, as well as pledged state aid. The short term note is used to facilitate cash flow needs.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Note payable	<u>\$ 700,000</u>	<u>\$ 500,000</u>	<u>\$ 700,000</u>	<u>\$ 500,000</u>

NOTE 8 – DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>End of year</u>
Governmental activities: Capital assets not being depreciated:				
Land	\$ 70,868	\$ -	\$ -	\$ 70,868
Construction in progress	<u>-</u>	<u>2,843,887</u>	<u>-</u>	<u>2,843,887</u>
	<u>\$ 70,868</u>	<u>\$ 2,843,887</u>	<u>\$ -</u>	<u>\$ 2,914,755</u>
Capital assets, being depreciated				
Buildings and improvements	\$ 18,813,745	\$ 227,133	\$ -	\$ 19,040,878
Land Improvements	377,155	5,800	-	382,955
Furniture and Equipment	1,621,772	110,788	-	1,732,560
Vehicles	<u>766,440</u>	<u>84,385</u>	<u>-</u>	<u>850,825</u>
Total historical cost	<u>\$ 21,579,112</u>	<u>\$ 428,106</u>	<u>\$ -</u>	<u>\$ 22,007,218</u>
Less accumulated depreciation:				
Buildings and improvements	\$ 9,283,198	\$ 433,012	\$ -	\$ 9,716,210
Land Improvements	254,633	10,493	-	265,126
Equipment and technology	1,223,155	73,980	-	1,297,135
Vehicles	<u>586,308</u>	<u>71,434</u>	<u>-</u>	<u>657,742</u>
Total accumulated depreciation	<u>\$ 11,347,294</u>	<u>\$ 588,919</u>	<u>\$ -</u>	<u>\$ 11,936,213</u>
Governmental activities capital assets, net	<u>\$ 10,302,686</u>			<u>\$ 12,985,760</u>

Depreciation for the fiscal year ended June 30, 2018 amounted to \$588,919. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 – GOVERNMENTAL FUND TYPE INTERFUND TRANSACTIONS

Amounts due to and from other funds for the District’s governmental fund types at June 30, 2018 are as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Food Service fund	\$ 5,142
Capital Projects fund	General fund	<u>73,326</u>
		<u>\$ 78,468</u>

The outstanding balances between funds result mainly from a timing difference of accounting transactions between the funds.

Amounts transferred between the District’s governmental fund types at June 30, 2018 are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 4,000
2012 Debt Service	2017 Debt Service	81,103
2011 Debt Service	2017 Debt Service	<u>28,723</u>
		<u>\$ 113,826</u>

The 2011 and 2012 Debt Service funds were closed during the year and the funds were transferred to the 2017 Debt Service fund.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM PENSION

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, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The System's financial statements are available at www.michigan.gov/mpsers-cafr.

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

Contributions and Funded Status

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.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM PENSION - continued

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
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

The School’s required and actual contributions to the plan for the year ended September 30, 2018 were \$1,268,909.

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

At June 30, 2018, the School reported a liability of ***\$14,019,353*** 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’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’s proportion was 0.0540 percent, which was an decrease of 0.0008 percentage points from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the Reporting Unit recognized total pension expense of \$1,258,862. At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 121,838	\$ 68,790
Changes of assumptions	1,535,932	-
Net difference between projected and actual earnings on pension plan investments	-	670,217
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	779	487,256
Reporting Unit contributions subsequent to the measurement date	1,004,527	-
Total	\$ 2,663,076	\$ 1,226,263

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, 2018. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM PENSION - continued

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Plan Year Ended	Amount:
September 30	
2018	\$ 61,137
2019	\$ 311,328
2020	\$ 110,560
2021	\$ (50,739)

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:	
- MIP and Basic Plans (Non-Hybrid):	7.5%
- Pension Plus Plan (Hybrid):	7.0%
- OPEB:	7.5%
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.

Long-Term Expected Rate 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:

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM PENSION - continued

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)
TOTAL	<u><u>100.0 %</u></u>	

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 Net Pension Liability to Changes in the Discount Rate

The following presents the School’s proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School’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%
<u>\$18,262,554</u>	<u>\$14,019,353</u>	<u>\$10,446,848</u>

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM 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, re-codified 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 at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may 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 and Funded Status

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.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OPEB – continued

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.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0 %	5.91 %
Personal Healthcare Fund	0.0	5.69

Required contributions to the OPEB plan from the Employer were \$420,732 for the year ended September 30, 2018.

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

At June 30, 2018, the School reported a liability of **\$4,785,585** 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’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’s proportion was 0.0507 percent.

For the year ended June 30, 2018, the School recognized total OPEB expense of \$320,652. At June 30, 2018, the School 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
Differences between expected and actual experience	\$ -	\$ 50,952
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	110,835
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	2,486	-
Reporting Unit contributions subsequent to the measurement date	259,997	-
Total	\$ 262,483	\$ 161,787

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OPEB – continued

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 (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Plan Year Ended September 30	Amount:
2018	(\$38,540)
2019	(\$38,540)
2020	(\$38,540)
2021	(\$38,540)
2022	(\$5,141)

Actuarial Assumptions

See note 9.

Long-Term Expected Rate on Plan Assets

See note 9.

Rate of Return

See note 9.

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 Net OPEB Liability to Changes in the Discount Rate

The following presents the School’s proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the School’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 Single Discount Rate Assumption 7.5%	1% Increase 8.5%
\$5,605,303	\$4,785,585	\$4,089,901

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered Public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for one policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 12 – FEDERAL EXPENDITURES

Current federal guidelines require entities with federal expenditures exceeding \$750,000 to have a "single audit" of federally funded programs. The school had federal expenditures of \$548,067 during the year and does not meet the single audit threshold.

NOTE 13 – ADOPTION OF NEW ACCOUNTING STANDARDS

As indicated in Note 1, the School has adopted Government Accounting Standards Board Statement 75. This required the School to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School's statements. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by \$5,047,732.

NOTE 14 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2018, the most recent statement of financial position presented herein, through September 25, 2018, the issuance date of the accompanying financial statements. No significant such events or transactions were identified.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes.

Food Service fund – This fund accounts for the District’s school lunch program.

Debt service funds account for the receipt of tax revenues to repay the principal and interest of outstanding debt issues.

The *2017 debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital project funds are used to purchase equipment and other long term fixed assets within the district.

REQUIRED SUPPLEMENTARY INFORMATION

**EAST JORDAN PUBLIC SCHOOLS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance with Final Budget Favorable (unfavorable)
	Original	Final	Actual	
Local sources	\$ 3,692,158	\$ 3,675,737	\$ 3,683,899	\$ 8,162
State sources	4,381,821	4,666,561	4,648,014	(18,547)
Federal sources	199,956	267,911	243,928	(23,983)
Inter-district and other sources	503,965	553,910	551,188	(2,722)
Total revenues	8,777,900	9,164,119	9,127,029	(37,090)
EXPENDITURES:				
Instruction:				
Basic instruction	4,274,187	4,344,262	4,302,080	42,182
Added needs	1,339,131	1,452,750	1,426,996	25,754
Total Instruction	5,613,318	5,797,012	5,729,076	67,936
Support Services:				
Pupil services	294,886	292,807	285,599	7,208
Instructional staff	114,592	174,927	169,192	5,735
General Administration	444,016	476,855	468,509	8,346
School Administration	577,722	590,476	597,910	(7,434)
Business	68,630	55,173	55,307	(134)
Operations and Maintenance	642,711	684,296	663,627	20,669
Transportation	454,339	461,367	459,859	1,508
Central support services	93,664	107,333	113,935	(6,602)
Athletic activities	236,161	248,286	242,736	5,550
Community services	175,892	190,906	170,611	20,295
Total support services	3,102,613	3,282,426	3,227,285	55,141
Total expenditures	8,715,931	9,079,438	8,956,361	123,077
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	61,969	84,681	170,668	85,987
OTHER FINANCING SOURCES (USES):				
Operating transfers in	4,000	4,000	4,000	-
Total other financing sources (uses)	4,000	4,000	4,000	-
NET CHANGES IN FUND BALANCES	\$ 65,969	\$ 88,681	174,668	\$ 85,987
FUND BALANCE Beginning of year			615,617	
FUND BALANCE End of year			\$ 790,285	

**EAST JORDAN PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined 9/30 of each fiscal year)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
A. Reporting unit's proportion of net pension liability (%)	0.5757%	0.05656%	0.05488%	0.05083%
B. Reporting unit's proportionate share of net pension liability	\$ 12,681,534	\$ 13,816,864	\$ 13,692,286	\$ 13,174,297
C. Reporting unit's covered-employee payroll	\$ 5,211,367	\$ 4,913,191	\$ 4,553,323	\$ 4,521,192
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	243.34%	281.21%	300.70%	291.38%
E. Plan fiduciary net position as a percentage of total pension liability	66.20%	62.92%	63.01%	64.21%

Schedule of the Reporting Unit's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (July 1- June 30)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
A. Statutorily required contributions	\$ 956,574	\$ 929,345	\$ 1,232,375	\$ 1,382,491
B. Contributions in relation to statutorily required contributions	\$ 956,574	\$ 929,345	\$ 1,232,375	\$ 1,382,491
C. Contribution deficiency (excess)	-	-	-	-
D. Reporting unit's covered-employee payroll	\$ 4,951,148	\$ 4,651,378	\$ 4,461,306	\$ 4,588,066
E. Contributions as a percentage of covered-employee payroll	23.07%	19.98%	27.62%	30.13%

**EAST JORDAN PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2017
A. Employer's proportion of net OPEB liability (%)	0.0540%
B. Employer's proportionate share of net OPEB liability	\$ 4,785,585
C. Employer's covered payroll	\$ 4,521,192
D. Employer's proportionate share of net OPEB liability as a percentage of covered payroll	105.84%
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39%

Schedule of the Reporting Unit's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts determined 6/30 of each year)

	2018
A. Statutorily required OPEB contributions	\$ 329,333
B. OPEB contributions in relation to statutorily required contributions	\$ 329,333
C. Contribution deficiency (excess)	-
D. Reporting unit's covered-employee payroll	\$ 4,588,066
E. OPEB contributions as a percentage of covered-employee payroll	7.17%

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 - INFORMATION RELATED TO THE NET PENSION LIABILITY

Changes in benefits terms: There were no changes to benefit terms.

Changes of assumptions: On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00 percent from 7.50 based on the group.

NOTE 2 - INFORMATION RELATED TO THE NET OPEB LIABILITY

Changes in benefits terms: There were no changes to benefit terms.

Changes of assumptions: There were no changes of benefit assumptions in the September 30, 2017 valuation.

ADDITIONAL INFORMATION

**EAST JORDAN PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Special Revenue Fund	Capital Projects Fund	Debt Service Funds				Nonmajor Governmental Funds
	Cafeteria	Sinking Fund	2012	2011	2017	Total	
			Debt Service	Debt Service	Debt Service		
ASSETS							
Cash and cash equivalents	\$ 87,511	\$ 292,451	\$ -	\$ -	\$ 167,780	\$ 167,780	\$ 547,742
Receivables:							
Accounts	7,726	-	-	-	-	-	7,726
Due from other governmental units	5,416	-	-	-	-	-	5,416
Inventory	2,041	-	-	-	-	-	2,041
Prepaid expenses	1,350	-	-	-	-	-	1,350
Total assets	<u>\$ 104,044</u>	<u>\$ 292,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,780</u>	<u>\$ 167,780</u>	<u>\$ 564,275</u>
Liabilities:							
Accounts payable	\$ 2,609	\$ 54,577	\$ -	\$ -	\$ -	\$ -	\$ 57,186
Accrued expenses	186	-	-	-	-	-	186
Due to other funds	5,143	-	-	-	-	-	5,143
Salaries payable	546	-	-	-	-	-	546
Deferred revenue	3,094	-	-	-	-	-	3,094
Total liabilities	<u>11,578</u>	<u>54,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,155</u>
Fund balances:							
Nonspendable	3,391	-	-	-	-	-	3,391
Restricted	89,075	237,874	-	-	167,780	167,780	494,729
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>92,466</u>	<u>237,874</u>	<u>-</u>	<u>-</u>	<u>167,780</u>	<u>167,780</u>	<u>498,120</u>
	<u>\$ 104,044</u>	<u>\$ 292,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,780</u>	<u>\$ 167,780</u>	<u>\$ 564,275</u>

EAST JORDAN PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Fund	Capital Projects Fund	Debt Service Funds			Total	Nonmajor Governmental Funds
	Cafeteria	Sinking Fund	2012 Debt Service	2011 Debt Service	2017 Debt Service		
REVENUES:							
Local sources:							
Property taxes	\$ -	\$ 376,509	\$ 130	\$ 39	\$ 881,563	\$ 881,732	\$ 1,258,241
Lunch and milk sales	166,366	-	-	-	-	-	166,366
Interest	3	490	29	1	1,295	1,325	1,818
State sources	27,478	-	-	-	-	-	27,478
Federal sources	304,139	-	-	-	-	-	304,139
Total revenues	497,986	376,999	159	40	882,858	883,057	1,758,042
EXPENDITURES:							
Food service	485,391	-	-	-	-	-	485,391
Capital outlay	-	215,684	-	-	-	-	215,684
Debt service:							
Principle	-	-	-	-	600,000	600,000	600,000
Interest and other	-	-	-	-	224,904	224,904	224,904
Total expenditures	485,391	215,684	-	-	824,904	824,904	1,525,979
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,595	161,315	159	40	57,954	58,153	232,063
OTHER FINANCING SOURCES (USES):							
Operating transfers in	-	-	-	-	109,826	109,826	109,826
Operating transfers out	(4,000)	-	(81,103)	(28,723)	-	(109,826)	(113,826)
Total other financing sources (uses)	(4,000)	-	(81,103)	(28,723)	109,826	-	(4,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	8,595	161,315	(80,944)	(28,683)	167,780	58,153	228,063
FUND BALANCES, beginning of year	83,871	76,559	80,944	28,683	-	109,627	270,057
FUND BALANCES, end of year	\$ 92,466	\$ 237,874	\$ -	\$ -	\$ 167,780	\$ 167,780	\$ 498,120

**EAST JORDAN PUBLIC SCHOOLS
TRUST & AGENCY
STATEMENT OF CHANGES IN ASSETS & LIABILITIES
YEAR ENDED JUNE 30, 2018**

	Balances, beginning of year	Receipts	Disbursements	Balances, end of year
ASSETS				
Cash and equivalents	<u>\$ 90,285</u>	<u>\$ 397,045</u>	<u>\$ 347,107</u>	<u>\$ 140,223</u>
LIABILITIES				
Due to organizations and class funds	<u>\$ 90,285</u>	<u>\$ 397,045</u>	<u>\$ 347,10,</u>	<u>\$ 140,223</u>

EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2018 DEBT
JUNE 30, 2018

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest Amount</u>	<u>Total</u>
Year ending June 30:				
2019	3.00%	635,000	249,300	884,300
2020	3.00%	665,000	230,250	895,250
2021	3.00%	685,000	210,300	895,300
2022	3.00%	705,000	189,750	894,750
2023	3.00%	490,000	168,600	658,600
2024	3.00%	505,000	153,900	658,900
2025	3.00%	520,000	138,750	658,750
2026	3.00%	535,000	123,150	658,150
2027	3.00%	550,000	107,100	657,100
2028	3.00%	570,000	90,600	660,600
2029	3.00%	585,000	73,500	658,500
2030	3.00%	600,000	55,950	655,950
2031	3.00%	620,000	37,950	657,950
2032	3.00%	645,000	19,350	664,350
		<u>\$ 8,310,000</u>	<u>\$ 1,848,450</u>	<u>\$ 10,158,450</u>

Principal payments due on first day of May

Interest payments due on the first day of May & November

Original issue – June 29, 2018 \$8,910,000



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

To the Board of Education
East Jordan Public Schools
East Jordan, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jordan Public Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the East Jordan Public School's basic financial statements and have issued our report thereon dated September 25, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Traverse City, MI
September 25, 2018