



EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT

Chippewa, Mackinac, Luce, and Schoolcraft Counties, Michigan

Annual Financial Report

For the year ended June 30, 2018

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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For the year ended June 30, 2018

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

October 9, 2018

The Board of Education
Eastern Upper Peninsula Intermediate School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eastern Upper Peninsula Intermediate School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Education Special Revenue Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual 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 fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note K to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018 on our consideration of Eastern Upper Peninsula Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Eastern Upper Peninsula Intermediate School District's internal control over financial reporting and compliance.



Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS



The Eastern Upper Peninsula Intermediate School District (EUPISD) services all local school districts located in Chippewa, Luce, Mackinac, and Schoolcraft Counties. The EUPISD is geographically the largest of the 56 intermediate school districts in the State of Michigan, covering 4,000 square miles, and servicing approximately 6,800 students. The 17 local education authorities (LEA) include: Sault Ste. Marie Schools, DeTour Area Schools, DeTour Arts & Technology Academy, Pickford Public Schools, Rudyard Area Schools, Brimley Area Schools, Whitefish Township School District, Tahquamenon Area Schools, St. Ignace City School District, Bois Blanc Pines School District, Les Cheneaux Community School District, Engadine Consolidated Schools, Lake Superior Academy, Moran Township School District, Mackinac Island Public Schools, Joseph K. Lumsden Bahweting Public School Academy, Ojibwe Charter School, and Three Lakes Academy.

As management of the Eastern Upper Peninsula Intermediate School District (“the District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District’s operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Proprietary funds statements* are used to report business-type activities in the district-wide financial statements.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Statements

- The district-wide financial 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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.



The two district-wide statements report the District's net position, and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as instruction and pupil services for general and special education, cooperative services, instructional support, transportation, administration, and operations and maintenance. State and Federal aid and property taxes finance most of these activities.
- *Business-type activities:* The District's Special Education Transportation Fund and Travel Fund are included here. Charges for services finance most of these activities.

New Accounting Pronouncements Implemented

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ended June 30, 2018. This Statement establish standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit 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 actual present value, and attribute that present value to periods of employee service. These changes resulted in a reduction of \$4,723,625 in district-wide net position as of July 1, 2017, (to record the beginning net OPEB liability of \$4,946,044 less the OPEB contributions made after the measurement date of \$222,419) and now include the net OPEB liability of the District of \$4,754,064 at June 30, 2018.



Condensed District-wide Financial Information

The Statement of Net Position provides financial information on the District as a whole.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets						
Current assets	\$ 9,537,521	\$ 5,788,277	\$ 807,232	\$ 685,336	\$ 10,344,753	\$ 6,473,613
Noncurrent assets	1,658,145	1,277,028	260,073	233,727	1,918,218	1,510,755
Total Assets	11,195,666	7,065,305	1,067,305	919,063	12,262,971	7,984,368
Deferred Outflows of Resources	4,524,060	2,867,519	-	-	4,524,060	2,867,519
Liabilities						
Current liabilities	4,211,303	2,041,664	807,179	685,285	5,018,482	2,726,949
Noncurrent liabilities	1,100,928	685,787	-	-	1,100,928	685,787
Net pension liability	14,338,832	13,109,358	-	-	14,338,832	13,109,358
Net OPEB liability	4,896,972	-	-	-	4,896,972	-
Total Liabilities	24,548,035	15,836,809	807,179	685,285	25,355,214	16,522,094
Deferred Inflows of Resources	951,559	64,864	-	-	951,559	64,864
Net Position						
Net investment in capital assets	1,292,539	1,225,264	260,073	233,727	1,552,612	1,458,991
Restricted	4,721,110	3,194,311	-	-	4,721,110	3,194,311
Unrestricted (deficit)	(15,793,517)	(10,388,424)	53	51	(15,793,464)	(10,388,373)
Total Net Position	\$ (9,779,868)	\$ (5,968,849)	\$ 260,126	\$ 233,778	\$ (9,519,742)	\$ (5,735,071)

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2018



The Statement of Activities presents changes in net position from operating results:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program revenue:						
Charges for services	\$ 4,690,016	\$ 4,070,053	\$ 755,053	\$ 689,509	\$ 5,445,069	\$ 4,759,562
Operating grants	8,950,846	9,108,119	119,588	40,190	9,070,434	9,148,309
General revenue:						
Property taxes	5,174,488	2,797,792	-	-	5,174,488	2,797,792
State school aid, unrestricted	374,616	374,616	-	-	374,616	374,616
Federal Medicaid reimbursement	16,176	49,367	-	-	16,176	49,367
Investment earnings	49,956	15,832	-	-	49,956	15,832
Other	67,156	115,584	223,972	292,611	291,128	408,195
Total Revenues	19,323,254	16,531,363	1,098,613	1,022,310	20,421,867	17,553,673
Expenses						
Instruction	3,163,009	2,033,117	-	-	3,163,009	2,033,117
Supporting services	15,026,675	13,979,699	-	-	15,026,675	13,979,699
Community services	218,012	233,419	-	-	218,012	233,419
Interest expense	2,950	1,580	-	-	2,950	1,580
Special education transportation	-	-	1,072,265	1,058,281	1,072,265	1,058,281
Total Expenses	18,410,646	16,247,815	1,072,265	1,058,281	19,482,911	17,306,096
Increase (Decrease) in Net Position	912,608	283,547	26,348	(35,971)	938,956	247,576
Net Position, Beginning of Year as restated (Note K)	(10,692,476)	(6,252,396)	233,778	269,749	(10,458,698)	(5,982,647)
Net Position - End of Year	\$ (9,779,870)	\$ (5,968,849)	\$ 260,126	\$ 233,778	\$ (9,519,742)	\$ (5,735,071)

Unrestricted net assets decreased by \$5,405,093 to a deficit of \$15,793,464 at June 30, 2018. This large decrease is mainly due to the restatement of net position at July 1, 2017 due to the new accounting pronouncement, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The District's net pension liability, including deferred outflows and inflows of resources, increased by \$602,532 during the fiscal year. In addition, the District's net OPEB liability, including deferred outflows and inflows of resources, increased by \$30,439 during the fiscal year.

Financial Analysis of the District as a Whole

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

Governmental Activities

The District's total revenues were \$19.3 million. Property taxes and unrestricted State aid accounted for 29 percent of the District's revenues. State and federal aid for specific programs accounted for 46 percent; fees charged for services totaled 24 percent of revenues, with the remainder coming from interest earnings and other local sources.

The total cost of all programs was \$18.4 million. The District's expenses are predominantly related to instruction (17 percent) and caring for students (pupil services) (82 percent), with the remainder related primarily to community services.

Business-type Activities

Total revenues exceeded expenses exceeded by \$26,348 on the Statement of Activities, increasing total net position from \$233,778 at June 30, 2017, to \$260,126 at June 30, 2018. Unrestricted Net Assets increased from \$51 at June 30, 2018 to \$53 at June 30, 2018.

General Comments

The current position of the District's finances can be credited to careful monitoring of economic changes and appropriate cost-cutting measures to maintain programs during these challenging economic times. Despite the ongoing uncertainty of funding revenue from the State of Michigan, the District has endeavored to maintain a positive fund balance.

- The District has conducted a thorough budget analysis and has broken the budget down into specific components and their related expenses. This has allowed the District to prioritize expenses, and also to identify where cuts could occur if necessary.
- Regular updates were provided to the Board of Education during the school year. This information is also presented to the community via the District's website, staff meetings and presentations.
- Collaboration with the surrounding districts have helped reduced expenditures in many areas. The eighteen school districts (including EUPISD) in the four counties – Chippewa, Luce, Mackinac, and a small section in Schoolcraft, continue to collaborate in combining services where possible.

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 the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.

- *Proprietary funds:* Distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to local districts from operation of special education busing in their respective districts, and charging internal district funds for their fleet activities. Operating expenses for proprietary funds include the cost of operating special education busing and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as the Student Activities Fund. The District is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Eastern Upper Peninsula Intermediate School District's funds are described as follows:

Governmental Funds

Major Funds

- The General Fund is our primary operating fund. The General Fund had total revenues of \$5,387,320, total other financing sources of \$395,954, total expenditures of \$5,213,874, and total other financing uses of \$381,338. The General Fund ended the fiscal year with a fund balance of \$992,128, up from \$804,066 at June 30, 2017.
- The Special Education Fund accounts for revenue sources that are legally restricted to expenditure for special education purposes. Revenues totaled \$9,211,690, and expenditures and other financing uses totaled \$9,263,549, for the fiscal year. The fund balance at year end was \$1,369,828.
- The Career and Technical Education (CTE) Fund accounts for revenue sources that are legally restricted to expenditure for vocational education purposes. Revenues totaled \$2,648,778, and expenditures and other financing uses totaled \$1,530,869, for the fiscal year. The fund balance at year end was \$1,117,909.
- The District operates a Building Capital Projects Fund which accounts for major improvement projects to our buildings and sites. Current year investment earnings totaled \$9,664, other financing sources (transfers from other District funds) totaled \$352,776, and expenditures totaled \$54,452. There is a remaining fund balance of \$1,268,176 at June 30, 2018, with which to complete various improvement projects.

Nonmajor Funds

- The Cooperative Activities Fund, which accounts for the District's technology funding expenditures, had total revenues and other financing sources of \$2,172,371, total expenditures of \$1,990,050 and other financing uses of \$51,997 in 2017-18, increasing its fund balance to \$684,973 at June 30, 2018 from \$554,649 at June 30, 2017.
- The District operates a Business Services Consortium Fund which accounts for District business services funding and expenditures. Total revenues and expenditures were \$429,875 and \$469,876, respectively. The ending fund balance totaled \$125,010 on June 30, 2018, down from \$165,011 at June 30, 2017.

Proprietary Funds

- The Special Education Transportation Fund accounts for the transportation of local districts' special education students. Total revenues were \$979,025, total expenditures were \$1,072,265 and contributions from other districts were \$119,588. The ending fund balance was \$260,126 at June 30, 2018, up from \$233,778 at June 30, 2017.
- The District maintains a Travel Fund to account for the travel costs of District employees. Total revenues were \$116,143, and total expenditures were \$86,888. The ending fund balance totaled \$293,318 at June 30, 2018, up from \$264,063 at June 30, 2017.

Fiduciary Fund

- The Student Activities Fund is operated as an Agency Fund of the District. The assets of this fund are being held for the benefit of District students. Balances on hand at June 30, 2018 totaled \$35,572.

General Fund Budgetary Highlights

During the course of the year, the District continuously reviews the annual operating budget after the June adoption. Changes in the budget are due to the following:

- Changes made in the fall to account for the new grants and carryover funds of prior year grants.
- Final amendments are made in June for increases in appropriations to prevent budget overruns and reductions in expenses put into place by the administration.
- The final budget for the General Fund anticipated the fund balance to be 12.4 percent of General Fund expenditures and transfers - the actual results equaled 17.7 percent.
- The decrease in fund balance was due to the District's implementation of regional collaboration.

Capital Asset and Debt Administration

Capital Assets

By the end of 2018, the District had a \$4,288,780 investment in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.)

At June 30, 2018, the District's investment in capital assets (net of accumulated depreciation), was \$1,918,218. Capital asset additions totaled \$669,756 for the fiscal year, with net accumulated depreciation increasing \$109,321, leaving a net increase in the book value of capital assets of \$407,463.



The District’s net investment in capital assets, including land, land improvements, buildings and additions, vehicles and furniture and equipment, is detailed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 68,616	\$ —	\$ 68,616
Land improvements	73,137	—	73,137
Buildings and improvements	797,564	—	797,564
Furniture and equipment	553,721	—	553,721
Vehicles	165,107	260,073	425,180
Net Capital Assets	<u>\$ 1,658,145</u>	<u>\$ 260,073</u>	<u>\$ 1,918,218</u>

Long-term Debt

At year end, the District had \$1,487,948 in capital lease obligations and accumulated sick leave – a net increase of \$550,397 from June 30, 2017.

We present more detailed information about our long-term liabilities in Note F in the Notes to Basic Financial Statements.

Factors Bearing on the District’s Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Left Behind Act, adequate yearly progress of students will be more important as certain portions of funding are tied to it.
- Cost increases exceeding the general rate of inflation continue to be expected for the District relative to pension contribution obligations in 2017-18 and beyond. These costs represent a significant portion of the District’s budget and their rate of increase is a concern to management. Surges in prices of energy commodities such as diesel, gasoline and natural gas have abated and prices have even declined. If this trend is sustained, it may provide some relief from the rate of growth in overall operating costs going forward.

- The District Professional Staff bargaining unit's contracts expire June 30, 2019.
- Recent months have seen a lot of legislative activity in the areas of teacher tenure, seniority and layoffs, teacher and administrator evaluations, student achievement and employee contributions to health insurance. The District is determined to keep up with all the changes even with a reduction in the administrative work force.
- As the District continues to face the budget challenges of the current and upcoming school years, operating efficiencies and balanced budgets will be necessary. The ability to continue to operate an adequate educational system with continued less revenue and increasing expenditures is the challenge of the future. The Board of Education is currently working on strategic plan goals that include fiscal oversight, fiscal responsibility, and financial planning.

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 the Business Office, Eastern Upper Peninsula Intermediate School District, 315 Armory Place, Sault Ste. Marie, Michigan 49783

BASIC FINANCIAL STATEMENTS

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EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 440	\$ -	\$ 440
Cash equivalents, deposits and investments (Note B)	6,396,122	542,713	6,938,835
Accounts receivable	4,788	-	4,788
Due from other governmental units (Note C)	3,125,767	264,519	3,390,286
Prepaid expenses	10,404	-	10,404
Capital assets not being depreciated (Note E)	68,616	-	68,616
Capital assets being depreciated, net (Note E)	<u>1,589,529</u>	<u>260,073</u>	<u>1,849,602</u>
Total Assets	<u>11,195,666</u>	<u>1,067,305</u>	<u>12,262,971</u>
Deferred Outflows of Resources			
Deferred pension amounts	4,215,599	-	4,215,599
Deferred OPEB amounts	<u>308,461</u>	<u>-</u>	<u>308,461</u>
Total Deferred Outflows of Resources	<u>4,524,060</u>	<u>-</u>	<u>4,524,060</u>
Liabilities			
Accounts payable	343,785	6,639	350,424
Due to other governmental units	1,964,145	778,040	2,742,185
Payroll withholdings payable	37,282	-	37,282
Accrued interest payable	34,073	-	34,073
Salaries payable	92,682	-	92,682
Unearned revenue	1,352,316	22,500	1,374,816
Long-term liabilities (Note F):			
Due within one year	387,020	-	387,020
Due in more than one year	1,100,928	-	1,100,928
Net pension liability	14,338,832	-	14,338,832
Net OPEB liability	<u>4,896,972</u>	<u>-</u>	<u>4,896,972</u>
Total Liabilities	<u>24,548,035</u>	<u>807,179</u>	<u>25,355,214</u>
Deferred Inflows of Resources			
Deferred pension amounts	786,006	-	786,006
Deferred OPEB amounts	<u>165,553</u>	<u>-</u>	<u>165,553</u>
Total Deferred Inflow of Resources	<u>951,559</u>	<u>-</u>	<u>951,559</u>
Net Position			
Net investment in capital assets	1,292,539	260,073	1,552,612
Restricted for:			
Capital outlay	1,268,176	-	1,268,176
Special education	1,369,828	-	1,369,828
Vocational education	1,117,909	-	1,117,909
Supporting services	809,983	-	809,983
Pupil transportation services	155,214	-	155,214
Unrestricted (deficit)	<u>(15,793,517)</u>	<u>53</u>	<u>(15,793,464)</u>
Total Net Position	<u>\$ (9,779,868)</u>	<u>\$ 260,126</u>	<u>\$ (9,519,742)</u>

See accompanying notes to basic financial statements.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT

Statement of Activities

For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
Governmental Activities			
Instruction	\$ 3,163,009	\$ 76,923	\$ 1,863,264
Supporting services	15,026,675	4,499,945	6,540,827
Community services	218,012	113,148	520,467
Interest on long-term debt	2,950	-	26,288
Total governmental activities	18,410,646	4,690,016	8,950,846
Business-type Activities			
Special education transportation	1,072,265	755,053	119,588
Total Activities	<u>\$ 19,482,911</u>	<u>\$ 5,445,069</u>	<u>\$ 9,070,434</u>

General Revenues

Taxes:

Property taxes, levied for general operations

Property taxes, levied for vocational education

Property taxes, levied for special education

State school aid, unrestricted

Federal Medicaid reimbursement

Interest and investment earnings

Other

Total General Revenues

Change in Net Position

Net Position - Beginning of Year
as restated (Note K)

Net Position - End of Year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (1,222,822)	\$ -	\$ (1,222,822)
(3,985,903)	-	(3,985,903)
415,603	-	415,603
23,338	-	23,338
<u>(4,769,784)</u>	<u>-</u>	<u>(4,769,784)</u>
-	(197,624)	(197,624)
<u>(4,769,784)</u>	<u>(197,624)</u>	<u>(4,967,408)</u>
471,963	-	471,963
2,343,558	-	2,343,558
2,358,967	-	2,358,967
374,616	-	374,616
16,176	-	16,176
49,956	-	49,956
67,156	223,972	291,128
<u>5,682,392</u>	<u>223,972</u>	<u>5,906,364</u>
912,608	26,348	938,956
<u>(10,692,476)</u>	<u>233,778</u>	<u>(10,458,698)</u>
<u>\$ (9,779,868)</u>	<u>\$ 260,126</u>	<u>\$ (9,519,744)</u>

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2018

Assets	<u>General</u>	<u>Special Education</u>	<u>CTE</u>
Cash	\$ 100	\$ 340	\$ -
Cash equivalents, deposits and investments (Note B)	1,387,658	753,586	2,125,900
Accounts receivable	3,279	234	-
Due from other governmental units (Note C)	1,307,087	1,496,641	74,982
Prepaid expenditures	324	-	-
Total Assets	<u>\$ 2,698,448</u>	<u>\$ 2,250,801</u>	<u>\$ 2,200,882</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 67,583	\$ 156,033	\$ 2,473
Due to other governmental units	542,563	333,894	1,080,500
Payroll withholdings payable	35,213	-	-
Accrued expenditures	-	34,073	-
Salaries payable	-	92,682	-
Unearned revenue	1,060,961	264,291	-
Total Liabilities	<u>1,706,320</u>	<u>880,973</u>	<u>1,082,973</u>
Fund Balances (Note A)			
Nonspendable	324	-	-
Restricted	-	1,369,828	1,117,909
Unassigned	991,804	-	-
Total Fund Balances	<u>992,128</u>	<u>1,369,828</u>	<u>1,117,909</u>
Total Liabilities and Fund Balances	<u>\$ 2,698,448</u>	<u>\$ 2,250,801</u>	<u>\$ 2,200,882</u>

See accompanying notes to basic financial statements.

Building Capital Projects	Nonmajor	Total
\$ -	\$ -	\$ 440
1,270,162	700,485	6,237,791
-	1,275	4,788
-	247,057	3,125,767
-	10,080	10,404
<u>\$ 1,270,162</u>	<u>\$ 958,897</u>	<u>\$ 9,379,190</u>

\$ 1,986	\$ 114,662	\$ 342,737
-	7,188	1,964,145
-	-	35,213
-	-	34,073
-	-	92,682
-	27,064	1,352,316
<u>1,986</u>	<u>148,914</u>	<u>3,821,166</u>

-	10,080	10,404
1,268,176	799,903	4,555,816
-	-	991,804
<u>1,268,176</u>	<u>809,983</u>	<u>5,558,024</u>
<u>\$ 1,270,162</u>	<u>\$ 958,897</u>	<u>\$ 9,379,190</u>

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total governmental fund balances		\$ 5,558,024
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$3,507,921 and accumulated depreciation is \$1,849,776.		1,658,145
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:		
Capital lease	\$ (365,606)	
Accumulated sick leave	<u>(1,122,342)</u>	(1,487,948)
Internal Service Fund assets and liabilities are included in governmental activities in the Statement of Net Position.		155,214
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(14,338,832)	
Deferred outflows	4,215,599	
Deferred inflows	<u>(786,006)</u>	<u>(10,909,239)</u>
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(4,896,972)	
Deferred outflows	308,461	
Deferred inflows	<u>(165,553)</u>	<u>(4,754,064)</u>
Total Net Position - Governmental Activities		<u><u>\$ (9,779,868)</u></u>

See accompanying notes to basic financial statements.

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EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2018

	General	Special Education	CTE
Revenues			
Local sources	\$ 639,473	\$ 3,070,034	\$ 2,353,294
Non-educational entity sources	37,421	-	-
State sources	2,940,871	2,543,796	227,516
Federal sources	1,102,761	1,711,800	65,768
Interdistrict sources	666,794	1,886,060	2,200
Total Revenues	5,387,320	9,211,690	2,648,778
Expenditures			
Current:			
Instruction	83,938	1,703,340	1,146,128
Supporting services	3,842,916	5,747,954	341,494
Community services	107,510	101,408	-
Interdistrict	1,179,510	1,368,136	-
Capital outlay	-	-	-
Debt service:			
Principal repayment	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	5,213,874	8,920,838	1,487,622
Excess (Deficiency) of Revenues Over Expenditures	173,446	290,852	1,161,156
Other Financing Sources (Uses)			
Capital lease proceeds	-	-	-
Transfers in	395,954	-	-
Transfers out	(381,338)	(342,711)	(43,247)
Total Other Financing Sources (Uses)	14,616	(342,711)	(43,247)
Net Change in Fund Balances	188,062	(51,859)	1,117,909
Fund Balances, Beginning of Year	804,066	1,421,687	-
Fund Balances, End of Year	\$ 992,128	\$ 1,369,828	\$ 1,117,909

See accompanying notes to basic financial statements.

Building Capital Projects	Nonmajor	Total
\$ 9,664	\$ 764,136	\$ 6,836,601
-	-	37,421
-	11,927	5,724,110
-	-	2,880,329
-	1,260,482	3,815,536
<u>9,664</u>	<u>2,036,545</u>	<u>19,293,997</u>
-	-	2,933,406
-	2,275,680	12,208,044
-	-	208,918
-	-	2,547,646
54,452	-	54,452
-	181,296	181,296
-	2,950	2,950
<u>54,452</u>	<u>2,459,926</u>	<u>18,136,712</u>
<u>(44,788)</u>	<u>(423,381)</u>	<u>1,157,285</u>
-	495,138	495,138
352,776	70,563	819,293
-	(51,997)	(819,293)
<u>352,776</u>	<u>513,704</u>	<u>495,138</u>
307,988	90,323	1,652,423
<u>960,188</u>	<u>709,580</u>	<u>3,895,521</u>
<u>\$ 1,268,176</u>	<u>\$ 799,903</u>	<u>\$ 5,547,944</u>

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2018

Net change in fund balances - total governmental funds		\$ 1,652,423
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period:		
Capital outlays	\$ 550,168	
Depreciation expense	<u>(135,870)</u>	414,298
Proceeds from the issuance of capital leases are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Position.		
		(495,138)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not effect the Statement of Activities:		
Repayment of general obligation bonds	51,764	
Repayment of capital lease	<u>129,532</u>	181,296
In the Statement of Net Position, accumulated sick leave is measured by the by the amounts earned during the year. In the governmental funds, however expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these earned (\$503,906) exceeded the amounts used/paid (\$267,351).		
		(236,555)
The net revenue of certain activities of the Internal Service Fund are reported in the Statement of Activities.		
		29,255
The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.		
		(602,532)
The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.		
		<u>(30,439)</u>
Total changes in net position - governmental activities		<u><u>\$ 912,608</u></u>

See accompanying notes to basic financial statements.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ 617,280	\$ 661,207	\$ 639,473	\$ (21,734)
Non-educational entity sources	-	48,280	37,421	(10,859)
State sources	2,765,389	3,255,418	2,940,871	(314,547)
Federal sources	1,411,429	1,605,677	1,102,761	(502,916)
Interdistrict sources	589,540	858,759	666,794	(191,965)
Total Revenues	<u>5,383,638</u>	<u>6,429,341</u>	<u>5,387,320</u>	<u>(1,042,021)</u>
Expenditures				
Current:				
Instruction:				
Basic programs	142,422	140,822	76,923	63,899
Added needs	17,542	9,677	7,015	2,662
Supporting services:				
Pupil services	222,284	175,161	169,278	5,883
Instructional staff services	1,958,783	2,822,557	2,176,043	646,514
General administrative services	450,027	444,983	429,540	15,443
Business services	381,617	460,993	407,402	53,591
Operation and maintenance services	109,700	248,650	222,354	26,296
Pupil transportation services	5,887	-	-	-
Central services	426,554	488,999	438,299	50,700
Community services	86,715	115,726	107,510	8,216
Interdistrict	1,850,972	1,499,071	1,179,510	319,561
Total Expenditures	<u>5,652,503</u>	<u>6,406,639</u>	<u>5,213,874</u>	<u>1,192,765</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(268,865)</u>	<u>22,702</u>	<u>173,446</u>	<u>150,744</u>
Other Financing Sources (Uses)				
Transfers in	334,754	395,954	395,954	-
Transfers out	(262,433)	(381,338)	(381,338)	-
Other Financing Sources	<u>72,321</u>	<u>14,616</u>	<u>14,616</u>	<u>-</u>
Net Change in Fund Balances	(196,544)	37,318	188,062	150,744
Fund Balances, Beginning of Year	<u>804,066</u>	<u>804,066</u>	<u>804,066</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 607,522</u></u>	<u><u>\$ 841,384</u></u>	<u><u>\$ 992,128</u></u>	<u><u>\$ 150,744</u></u>

See accompanying notes to basic financial statements.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Special Education Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 3,249,088	\$ 3,075,072	\$ 3,070,034	\$ (5,038)
Non-educational entity sources	4,138	4,138	-	(4,138)
State sources	2,383,594	2,544,739	2,543,796	(943)
Federal sources	1,735,930	1,766,429	1,711,800	(54,629)
Interdistrict sources	<u>1,873,091</u>	<u>1,890,884</u>	<u>1,886,060</u>	<u>(4,824)</u>
Total Revenues	<u>9,245,841</u>	<u>9,281,262</u>	<u>9,211,690</u>	<u>(69,572)</u>
Expenditures				
Current:				
Instruction:				
Added needs	1,883,462	1,751,957	1,703,340	48,617
Supporting services:				
Pupil services	3,813,016	4,012,021	3,977,246	34,775
Instructional staff services	859,811	733,503	713,315	20,188
General administrative services	27,200	27,200	12,059	15,141
School administration services	-	133,636	125,318	8,318
Business services	23,000	16,500	14,062	2,438
Operation and maintenance services	56,697	56,731	55,715	1,016
Pupil transportation services	690,215	801,645	800,894	751
Central services	89,981	49,667	49,345	322
Community services	119,500	79,616	101,408	(21,792)
Interdistrict	<u>1,441,516</u>	<u>1,413,632</u>	<u>1,368,136</u>	<u>45,496</u>
Total Expenditures	<u>9,004,398</u>	<u>9,076,108</u>	<u>8,920,838</u>	<u>155,270</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>241,443</u>	<u>205,154</u>	<u>290,852</u>	<u>85,698</u>
Other Financing Uses				
Transfers out	<u>(324,758)</u>	<u>(342,711)</u>	<u>(342,711)</u>	<u>-</u>
Net Change in Fund Balances	<u>(83,315)</u>	<u>(137,557)</u>	<u>(51,859)</u>	<u>85,698</u>
Fund Balances, Beginning of Year	<u>1,421,687</u>	<u>1,421,687</u>	<u>1,421,687</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 1,338,372</u></u>	<u><u>\$ 1,284,130</u></u>	<u><u>\$ 1,369,828</u></u>	<u><u>\$ 85,698</u></u>

See accompanying notes to basic financial statements.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
CTE Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ 2,325,686	\$ 2,325,686	\$ 2,353,294	\$ 27,608
State sources	-	256,783	227,516	(29,267)
Federal sources	-	65,768	65,768	-
Interdistrict sources	-	2,200	2,200	-
Total Revenues	<u>2,325,686</u>	<u>2,650,437</u>	<u>2,648,778</u>	<u>(1,659)</u>
Expenditures				
Current:				
Instruction:				
Added needs	1,825,686	1,172,505	1,123,357	49,148
Adult education services	-	31,575	22,771	8,804
Supporting services:				
Pupil services	-	50,474	41,301	9,173
Instructional staff services	-	316,598	109,567	207,031
School administration services	-	11,160	8,870	2,290
Business services	-	5,200	5,831	(631)
Operations and maintenance	-	15,108	7,900	7,208
Pupil transportation services	-	186,612	165,696	20,916
Central services	-	8,600	2,329	6,271
Total Expenditures	<u>1,825,686</u>	<u>1,797,832</u>	<u>1,487,622</u>	<u>310,210</u>
Excess of Revenues Over Expenditures	<u>500,000</u>	<u>852,605</u>	<u>1,161,156</u>	<u>308,551</u>
Other Financing Uses				
Transfers out	-	(43,247)	(43,247)	-
Net Change in Fund Balances	500,000	809,358	1,117,909	308,551
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	<u>\$ 500,000</u>	<u>\$ 809,358</u>	<u>\$ 1,117,909</u>	<u>\$ 308,551</u>

See accompanying notes to basic financial statements.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2018

	<u>Business-Type Activities Special Education Transportation Fund</u>	<u>Governmental Activities Travel Fund</u>
Assets		
Current Assets		
Cash equivalents, deposits and investments (Note B)	\$ 542,713	\$ 158,331
Due from other governmental units	264,519	-
Total Current Assets	<u>807,232</u>	<u>158,331</u>
Noncurrent Assets		
Buses	780,859	-
Vehicles	-	348,858
Less: accumulated depreciation	(520,786)	(210,754)
Total Noncurrent Assets	<u>260,073</u>	<u>138,104</u>
Total Assets	<u>1,067,305</u>	<u>296,435</u>
Liabilities		
Current Liabilities		
Accounts payable	6,639	3,117
Due to other governmental units	778,040	-
Unearned revenue	22,500	-
Total Liabilities	<u>807,179</u>	<u>3,117</u>
Net Position		
Investment in capital assets	260,073	138,104
Unrestricted	53	155,214
Total Net Position	<u>\$ 260,126</u>	<u>\$ 293,318</u>

See accompanying notes to basic financial statements.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2018

	Business-Type Activities	Governmental Activities
	Special Education Transportation Fund	Travel Fund
Operating Revenues		
Local sources	\$ 755,053	\$ 114,476
Incoming transfers and other	223,972	-
Total Operating Revenues	<u>979,025</u>	<u>114,476</u>
Operating Expenses		
Salaries	452,910	-
Employee benefits	342,426	-
Purchased services	77,428	24,429
Supplies and materials	102,998	29,217
Miscellaneous	3,261	59
Depreciation expense	93,242	33,183
Total Operating Expenses	<u>1,072,265</u>	<u>86,888</u>
Operating Income (Loss)	(93,240)	27,588
Nonoperating Revenues		
Investment income	-	1,667
Income (Loss) Before Contributions	(93,240)	29,255
Contributions		
Contributions from local districts	119,588	-
Change In Net Position	26,348	29,255
Net Position, Beginning of Year	<u>233,778</u>	<u>264,063</u>
Net Position, End of Year	<u>\$ 260,126</u>	<u>\$ 293,318</u>

See accompanying notes to basic financial statements.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the year ended June 30, 2018

	Business-Type Activities	Governmental Activities
	Special Education Transportation Fund	Travel Fund
Cash Flows From Operating Activities		
Receipts from local districts	\$ 166,156	\$ 114,476
Receipts from interfund services provided	755,053	-
Payments to suppliers	(71,875)	(52,687)
Payments to employees	(795,336)	-
Net Cash Provided By Operating Activities	<u>53,998</u>	<u>61,789</u>
Cash Flows From Capital and Related Financing Activities		
Capital contributions from local districts	119,588	-
Net acquisition of capital assets	(119,588)	-
Net Cash Used By Investing Activities	<u>-</u>	<u>-</u>
Cash Flows From Investing Activities		
Interest received	-	1,667
Net Increase (Decrease) In Cash and Cash Equivalents	53,998	63,456
Cash and Cash Equivalents, Beginning of Year	488,715	94,875
Cash and Cash Equivalents, End of Year	<u>\$ 542,713</u>	<u>\$ 158,331</u>
Reconciliation of Operating Income To Net		
Cash Provided (Used) By Operating Activities		
Operating income (loss)	\$ (93,240)	\$ 27,588
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	93,242	33,183
Changes in assets and liabilities:		
Increase in due from other governmental units	(80,316)	-
Decrease in prepaid expenses	12,418	-
Increase in accounts payable	1,023	1,018
Increase in due to other governmental units	98,371	-
Increase in unearned revenue	22,500	-
Total adjustments	<u>147,238</u>	<u>34,201</u>
Net Cash Provided By Operating Activities	<u>\$ 53,998</u>	<u>\$ 61,789</u>

See accompanying notes to basic financial statements.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2018

	<u>Agency Fund</u>
Assets	
Cash equivalents, deposits and investments (Note B)	<u>\$ 35,572</u>
Liabilities	
Due to student groups	<u>\$ 35,572</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note A – Summary of Significant Accounting Policies

Eastern Upper Peninsula Intermediate School District (the “District”) was organized under the School Code of the State of Michigan, and services a population of approximately 6,716 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services to students and local school districts, as specified by state statute and Board of Education policy, including instruction, pupil support services, special education, pupil transportation and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budgets and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District’s significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-wide and Fund Financial Statements

District-wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net position is reported in three parts: net investment in capital assets, restricted net assets, and unrestricted net assets.

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 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. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund, the Special Education Special Revenue Fund, the Career and Technical Education (CTE) Fund and the Building Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate schedules.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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Major Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Special Education Fund* accounts for revenue sources that are legally restricted to expenditure for special education purposes.

The *Career and Technical Education Fund* (CTE) accounts for revenue sources that are legally restricted to expenditure for vocational education purposes.

Capital Projects Fund — The Building Capital Projects Fund is used to record the bond proceeds, investment earnings and the disbursement of the monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The fund will be retained until the purpose for which the fund was created has been accomplished.

Nonmajor Funds:

Special Revenue Funds — Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Proprietary Funds

The District reports the following proprietary funds:

Special Education Transportation Enterprise Fund accounts for the transportation of local districts' special education students.

Travel Internal Service Fund accounts for the District's fleet activities, which is funded by charging the other funds within the District.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Agency Funds—Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

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

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Eastern Upper Peninsula Intermediate School District has also adopted budgets for its Special Revenue Funds. A school district's Budget Appropriations Act (the "budget") must be adopted before the beginning of each fiscal year.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Eastern Upper Peninsula Intermediate School District utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

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8. Capital Assets

Capital assets, which include land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

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

Land improvements, buildings and improvements, furniture and equipment and vehicles are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	20-50 years
Buildings and improvements	40-50 years
Furniture and equipment	3-10 years
Vehicles	5-10 years

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

10. Accumulated Sick Leave

Accumulated sick leave at June 30, 2018 has been computed and recorded in the basic financial statements of the District. Employees who leave the District are entitled to reimbursement for a portion of their unused sick days. At June 30, 2018, the accumulated liabilities, including salary related payments, (expected to be financed by the various District funds) for accumulated sick leave amounted to \$1,122,342.

11. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value,

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And attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

12. Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establish standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit 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 actual present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred outflows relating to the recognition of net pension liability on the financial statements and the deferred outflows relating to the recognition of net OPEB liability on the financial statements.

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In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB liability on the financial statements.

14. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

15. Fund Balance

The District had adopted Governmental Accounting Standards Board (GASB) Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*”. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nondisposable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts. Committed fund balance does not lapse at year end.
- Assigned – resources that are constrained by the government’s *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. Assigned fund balance does not lapse at year end. Those resources be used only for the specific purposes stipulated in the legislation.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2018, Eastern Upper Peninsula Intermediate School District had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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16. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

17. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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Balances at June 30, 2018 related to cash equivalents and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	\$ 6,396,122
Business-Type Funds:	
Proprietary Funds	542,713
Fiduciary Fund:	
Agency Fund	<u>35,572</u>
	<u>\$ 6,974,407</u>

Cash Equivalents

Depositories actively used by the District during the year are detailed as follows:

1. Central Savings Bank
2. Huntington Bank
3. Old Mission Bank

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2018 balances are detailed as follows:

Cash equivalents	<u>\$ 1,517,231</u>
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Custodial Credit Risk Related to Cash Equivalents

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents was \$1,517,231, and the bank balance was \$1,533,893 of which \$509,424 was covered by federal depository insurance and \$1,024,469 was uninsured and uncollateralized.

Investments

As of June 30, 2018 the District had the following investments:

Surplus Funds Investment Pool Accounts:	
Michigan Liquid Asset Fund	<u>\$ 5,457,176</u>

The Michigan Liquid Asset Fund Plus (MILAF) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF is not regulated or registered with the Securities Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2018. The MILAF Fund is rated AAAM by Standard and Poor's.

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Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business. At June 30, 2018, the District had no investments that were subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy does not specifically address credit risk, but minimizes its credit risk by limiting investments to the types allowed by the State.

Interest Rate Risk

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

Concentration of Credit Risk

The District minimizes concentration of credit risk which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

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

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with State law and accounting principles generally accepted in the United States of America. These State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2017 and October 2017.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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The District also receives revenue from the State to administer certain “categorical” education programs. State rules require that revenue earmarked for those programs be used for each program’s specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, fund received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Eastern Upper Peninsula Intermediate School District’s State Aid pupil membership for 2017-18 was 6,716 “full-time equivalent students.” This generated \$5,703,959 in “categorical” state aid payments to the District of which \$1,004,922 was paid to the District in July and August 2018 and included in “Due From Other Governmental Units” of the General Fund, Special Education Special Revenue Fund, and Career and Technical Education Special Revenue Fund of the District.

Property taxes for the District are levied on December 1 (the tax lien dates) by the Counties of Chippewa, Luce, Mackinac and Schoolcraft and are due 75 days after levy dates. The taxes are then collected by each governmental unit and remitted to the District.

As Eastern Upper Peninsula Intermediate School District electors had previously (November 8, 2010) approved an operating millage extension, the .2 property tax millage was levied in the District for 2017.

The District levied 2.0 mills for special and vocational education purposes in 2017, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRES.

The District is subject to tax abatements granted by the County of Chippewa with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2018, there were no businesses located within the Eastern Upper Peninsula Intermediate School District boundaries with an active IFE certificate.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note D – Interfund Receivables/Payables and Transfers

Transfers between funds for budgeted transfers and to allocate costs to the between funds were as follows at June 30, 2018:

<u>Major Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue Funds:		
Special Education Fund	\$ 300,710	\$ -
Career and Technical Education Fund	43,247	-
Cooperative Activities Fund	51,997	28,562
Capital Projects Fund:		
Building Fund	-	352,776
	<u>395,954</u>	<u>381,338</u>
Special Revenue Fund:		
Special Education Fund:		
General Fund	-	300,710
Cooperative Activities Fund	-	42,001
Career and Technical Education Fund:		
General Fund	-	43,247
	<u>-</u>	<u>385,958</u>
Capital Projects Fund:		
Building Fund:		
General Fund	<u>352,776</u>	<u>-</u>
Total Major Funds	748,730	767,296
 <u>Nonmajor Funds</u>		
Special Revenue Funds:		
Cooperative Activities Fund:		
General Fund	28,562	51,997
Special Revenue Funds:		
Special Education Fund	<u>42,001</u>	<u>-</u>
	<u>70,563</u>	<u>51,997</u>
Total All Funds	<u><u>\$ 819,293</u></u>	<u><u>\$ 819,293</u></u>

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balances July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 68,616	\$ -	\$ -	\$ 68,616
Capital assets being depreciated:				
Land improvements	225,675	\$ -	\$ -	225,675
Buildings and improvements	1,568,635	17,810	-	1,586,445
Furniture and equipment	745,968	505,358	-	1,251,326
Vehicles	348,859	27,000	-	375,859
Total capital assets being depreciated	<u>2,889,137</u>	<u>\$ 550,168</u>	<u>\$ -</u>	<u>3,439,305</u>
Less accumulated depreciation for:				
Land improvements	145,881	\$ 6,657	\$ -	152,538
Buildings and improvements	751,905	36,976	-	788,881
Furniture and equipment	605,368	92,237	-	697,605
Vehicles	177,571	33,181	-	210,752
Total accumulated depreciation	<u>1,680,725</u>	<u>\$ 169,051</u>	<u>\$ -</u>	<u>1,849,776</u>
Total capital assets being depreciated, net	<u>1,208,412</u>			<u>1,589,529</u>
Net Capital Assets	<u>\$ 1,277,028</u>			<u>\$ 1,658,145</u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Supporting services	<u>\$ 169,051</u>

	<u>Balances July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2018</u>
Business-Type Activities				
Capital assets being depreciated:				
Buses	\$ 814,243	\$ 119,588	\$ 152,972	\$ 780,859
Less accumulated depreciation for:				
Buses	580,516	\$ 93,242	\$ 152,972	520,786
Net Capital Assets	<u>\$ 233,727</u>			<u>\$ 260,073</u>

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Depreciation expense was charged to District activities as follows:

Business-type activities:	
Special Education transportation services	\$ 93,242

Note F – Long-term Debt

Changes in long-term debt for the year ended June 30, 2018 are summarized as follows:

	Debt Outstanding July 1, 2017	Debt Added	Debt Retired	Debt Outstanding June 30, 2017
General obligation bonds:				
June 3, 2013	\$ 51,764	\$ -	\$ 51,764	\$ -
Capital lease	-	495,138	129,532	365,606
Accumulated sick leave	885,787	503,906	267,351	1,122,342
	\$ 937,551	\$ 999,044	\$ 448,647	\$ 1,487,948

Long-term debt outstanding at June 30, 2018 is comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
Capital lease				
\$495K Network Upgrade August 28, 2017	Oct. 28, 2022	3.23%	\$ 365,606	\$ 87,020
Annual maturities of \$2,238 to \$13,035				
Other Obligations				
Accumulated sick leave			1,122,342	300,000
			\$ 1,487,948	\$ 387,020

The annual requirements to pay principal and interest on long-term bonds and installment purchase agreements outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2019	\$ 87,020	\$ 12,008	\$ 99,028
2020	89,878	9,150	99,028
2021	92,830	6,197	99,027
2022	95,878	3,149	99,027
	\$ 365,606	\$ 30,504	\$ 396,110

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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Note G – Retirement Plan

Plan Description

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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

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

Membership

At September 30, 2017, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	189,960
Survivor benefits	17,878
Disability benefits	6,151
Total	213,989
Inactive plan members entitled to but not yet receiving benefits:	
	18,004
Active plan members:	
Vested	101,574
Non-vested	102,407
Total	203,981
Total plan members	435,974

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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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 for DB plan members 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.

Pension Reform 2010

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

Pension Reform 2012

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

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

- Basic Plan members; 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

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

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Option 4 members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Deferred Compensation plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in the 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a Deferred Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Pension Reform of 2017

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

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012 and is shown below:

Option 1: $FAC \times \text{total years of service} \times 1.5\%$

Option 2: $FAC \times 30 \text{ years of service} \times 1.5\% + FAC \times \text{years of service beyond 30} \times 1.25\%$

Option 3: $FAC \times \text{years of service as of transition date} \times 1.5\% + FAC \times \text{years of service after transition date} \times 1.25\%$

Option 4: $FAC \text{ as of transition date} \times \text{years of service as of transition date} \times 1.5\%$

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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A MIP member who became a member of MPSERS prior to July 1, 2010 may retire at:

- age 46 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service; or
- age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Pension Plus member who became a member of MPSERS after June 30, 2010 may retire at age 60 with 10 or more years of credited service.

A Basic Plan member may retire at:

- age 55 with 30 or more years of service; or
- age 60 with 10 or more years of service.

There is no mandatory retirement age.

Early Retirement

A member may retire with an early permanently reduced pension:

- after completing at least 15 but less than 30 years of credited service; and
- after attaining age 55; and
- with credited service in each of the 5 school years immediately preceding the pension effective date.

Deferred Retirement

If a member terminates employment before attaining the age qualification, but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc.).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of weekly workers' compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by 2% for each year retired; first year 100%, next year 102%, etc.).

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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Forms of Payment

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An application may select only one of the following options.

Straight Life Pension – the Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of the retiree’s death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiary.

Survivor Options - Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary predeceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount (“pop-up” provision). If, however, a retiree was single at the time of retirement and subsequently married, the retiree can request to nominate a new spouse if they elected the straight life option at retirement. Also, if a retiree was married at the time of retirement and has since been widowed and remarried, the retiree can request to nominate a new spouse as a pension beneficiary as long as they elected a survivor option for the spouse at the time of retirement.

100% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree’s death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree’s death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

50% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree’s death, 50% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Equated Plan – The Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree’s pension to decrease at age 62 by approximately the same amount as that person’s Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated or 50% Equated will receive the 100%, 75%, or 50% Survivor amount the month following the retiree’s death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

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Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a 100% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan (MIP) member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

On January 1, 1990, pre-October 1, 1981 retirees received an increase that ranged from 1% to 22% dependent upon the pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement benefits.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

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 the 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 will be amortized over a 22 year period for the 2017 fiscal year.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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The schedule below summarized pension contribution rate in effect for the plan fiscal year 2017.

Pension Contribution Rates:

Plan Name	Member	District
Member Investment Plan (MIP)	0.0 – 4.0%	19.03%
Basic	3.0 – 7.0 %	19.03%
Pension Plus	3.0 – 6.4%	18.40%
Defined Contribution	0.0%	15.27%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2018, inclusive of the MSPERS UAAL Stabilization, totaled \$1,486,290.

MPSERS Plan Net Pension Liability (in thousands)

Total Pension Liability	\$ 73,501,296
Plan Fiduciary Net Position	<u>47,011,783</u>
Net Pension Liability	<u>\$ 26,489,513</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.96%
Net Pension Liability as a Percentage of Covered Employee Payroll	313.37%
Total Covered Payroll	\$ 8,452,983

Proportionate Share of Reporting Unit's Net Pension Liability

At June 30, 2018, the District reported a liability of \$14,338,832 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. At September 30, 20167 the District's proportion was .05533184%, which was an increase from .05254424% at September 30, 20176.

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

For the year ended June 30, 2018, the District recognized pension expense of \$1,930,641. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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June 30, 2018

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 124,614	\$ 70,358
Changes of assumptions	1,570,933	—
Net difference between projected and actual earnings on pension plan investment earnings	—	685,491
Changes in proportion and differences between District contributions and proportionate share of contributions	1,245,959	30,157
District contributions subsequent to the measurement date*	<u>1,274,093</u>	<u>—</u>
Total	<u><u>\$ 4,215,599</u></u>	<u><u>\$ 786,006</u></u>

*This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Year ended June 30	Amount
2019	\$ 705,621
2020	916,638
2021	487,535
2022	45,706

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.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 20166
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%
Projected Salary Increases:	3.5% - 12.3%, including wage inflation of 3.5%
Cost-of-Living 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.

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017 is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.4744 for non-university employers, 1.4186 for university employers].
- Recognition period for assets in years is 5.000.
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a 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:

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

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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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 changed 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 the 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 those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent (7.0% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	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%
District's proportionate share of the net pension liability	\$ 18,678,729	\$ 14,338,832	\$ 10,684,915

Michigan Public School Employees Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System September 30, 2017 Comprehensive Annual Financial Report, available here: (www.michigan.gov/orsschools).

Payables to the Michigan Public School Employee Retirement System (MPERS)

Payables to the pension plan totaling \$120,934 at June 30, 2018 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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Note H – Other Postemployment Benefits

Plan Description

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Plan Participants

At September 30, 2017, the System's membership consisted of the following:

Eligible participants	211,051
Participants receiving benefits:	
Health	152,154
Dental/Vision	165,532
Vested plan members:	
Active	190,537
Non-active	2,349

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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June 30, 2018

Retiree Healthcare Reform of 2012

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

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

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

OPEB Contribution Rates:		
Benefit Structure	Member	District
Premium Subsidy	3.0%	5.91%
Personal Healthcare Fund (PHF)	0.0 %	5.69%

Required contributions to the OPEB plan from the District were \$4,896,972 for the year ended September 30, 2017.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Net OPEB Liability (in thousands)

Total OPEB Liability	\$ 14,175,547	
Plan Fiduciary Net Position	5,177,775	_____
Net OPEB Liability	\$ 8,997,772	_____
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	36.53%	
Net OPEB Liability as a Percentage of Covered Employee Payroll	106.44%	
Total Covered Payroll	\$ 8,452,983	

At June 30, 2018, the District reported a liability of \$4,896,972 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 District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017 and 2016, the District's proportion was .05529883%.

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$327,692. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ 52,138
Net difference between projected and actual earnings on OPEB plan investment earnings	—	113,415
Changes in proportion and differences between District contributions and proportionate share of contributions	647	—
District contributions subsequent to the measurement date*	307,814	—
Total	\$ 308,461	\$ 165,553

*This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Amount
2019	\$ (39,861)
2020	(39,861)
2021	(39,861)
2022	(5,462)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

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

Other Assumptions:

Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Notes:

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

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.4744 for non-university employers or 1.4186 for university employers]
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Investments

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

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

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

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 6.5%	Current Discount Rate Assumption 7.5%	1% Increase 8.5%
District's proportionate share of the net OPEB liability	\$ 5,735,769	\$ 4,896,972	\$ 4,185,095

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

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

	1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net OPEB liability	\$ 4,147,077	\$ 4,896,972	\$ 5,748,425

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

Payables to the OPEB plan totaling \$7,136 at June 30, 2018 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

Note I – Risk Management and Benefits

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for property loss, errors and omissions, workers' compensation, health benefits, and dental and vision benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

There were no significant reductions in insurance coverage in fiscal 2017-18, and as of year ended June 30, 2018, there were no material pending claims against the District.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note J – Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of \$15,793,464 and a total net position deficit of \$9,552,742, as of June 30, 2018. These deficit net positions result primarily from the net pension and OPEB liabilities of \$10,909,239 and 4,754,064, respectively (net of deferred outflows and inflows of resources related to the pension and OPEB plans).

Note K – New Accounting Pronouncement Adopted

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, were adopted by the District during the fiscal year ended June 30, 2018. This statement replaces the requirements of GASB Statement No. 45 and the primary objective of this statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (OPEB). Changes/additions to deferred outflows of resources, deferred inflows of resources and net OPEB liability required by the Statements decreased beginning net position by \$4,723,625 at July 1, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2018

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2018</u>
District's proportion of the net pension liability	0.04649827%	0.04851513%	0.05254424%	0.05533184%
District's proportionate share of the net pension liability	\$ 10,241,943	\$ 11,849,833	\$ 13,109,358	\$ 14,338,832
District's covered-employee payroll	\$ 3,994,803	\$ 4,051,545	\$ 4,579,941	\$ 4,682,057
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	256.38%	292.48%	286.23%	306.25%
Plan fiduciary net position as a percentage of the total pension liability	66.15%	62.92%	63.01%	63.96%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2018

	<u>Year Ended June 30, 2018</u>
District's proportion of the net OPEB liability	0.05529883%
District's proportionate share of the net OPEB liability	\$ 4,896,972
District's covered-employee payroll	\$ 4,682,057
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	104.59%
Plan fiduciary net position as a percentage of the total OPEB liability	36.53%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Required Supplementary Information
Schedule of District's Net Pension Contributions
MPERS Cost-sharing Multiple-employer Plan
June 30, 2018

	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018
Contractually required contribution	\$ 1,231,720	\$ 1,322,654	\$ 1,433,865	\$ 1,486,290
Contributions in relation to the contractually required contribution	<u>1,231,720</u>	<u>1,322,654</u>	<u>1,433,865</u>	<u>1,486,290</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,997,516	\$ 4,360,911	\$ 4,564,945	\$ 5,061,066
Contributions as a percentage of covered employee payroll	30.81%	30.33%	31.41%	29.37%

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively.

Ultimately, 10 years of data will be presented.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Net OPEB Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2018

	Year Ended June 30, 2018
Contractually required contribution	\$ 375,804
Contributions in relation to the contractually required contribution	375,804
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 5,061,066
Contributions as a percentage of covered employee payroll	7.43%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2018

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2017-18.

Changes of assumptions: There were no changes of benefit assumptions in 2017-18.

Note B – Net OPEB Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2017-18.

Changes of assumptions: There were no changes of benefit assumptions in 2017-18.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2018

	Special Revenue		Total
	Cooperative Activities	Business Services Consortium	
Assets			
Cash equivalents, deposits and investments	\$ 649,489	\$ 50,996	\$ 700,485
Accounts receivable	1,275	-	1,275
Due from other governmental units	175,011	72,046	247,057
Prepaid Expenditures	-	10,080	10,080
Total Assets	\$ 825,775	\$ 133,122	\$ 958,897
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 113,738	\$ 924	\$ 114,662
Due to other governmental units	-	7,188	7,188
Unearned revenue	27,064	-	27,064
Total Liabilities	140,802	8,112	148,914
Fund Balances			
Nonspendable	-	10,080	10,080
Restricted	684,973	114,930	799,903
Total Fund Balances	684,973	125,010	809,983
Total Liabilities and Fund Balances	\$ 825,775	\$ 133,122	\$ 958,897

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2018

	Special Revenue		Total
	Cooperative Activities	Business Services Consortium	
Revenues			
Local sources:			
Interest earnings	\$ 11	\$ 593	\$ 604
Other local sources	763,532	-	763,532
Total local sources	763,543	593	764,136
State sources	-	11,927	11,927
Interdistrict sources	843,127	417,355	1,260,482
Total Revenues	1,606,670	429,875	2,036,545
Expenditures			
Supporting services	1,858,022	417,658	2,275,680
Debt service:			
Principal repayment	129,532	51,764	181,296
Interest and fiscal charges	2,496	454	2,950
Total Expenditures	1,990,050	469,876	2,459,926
Excess (Deficiency) of Revenues Over Expenditures	(383,380)	(40,001)	(423,381)
Other Financing Sources (Uses)			
Capital lease proceeds	495,138	-	495,138
Transfers in	70,563	-	70,563
Transfers out	(51,997)	-	(51,997)
Total Other Financing Sources	513,704	-	513,704
Net Change in Fund Balances	130,324	(40,001)	90,323
Fund Balances, Beginning of Year	554,649	165,011	719,660
Fund Balances, End of Year	\$ 684,973	\$ 125,010	\$ 809,983

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Cooperative Activities Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	\$ 741,400	\$ 763,543	\$ 22,143
Interdistrict sources	863,313	843,127	(20,186)
Total Revenues	<u>1,604,713</u>	<u>1,606,670</u>	<u>1,957</u>
Expenditures			
Supporting services:			
Instructional staff services	4,330	3,859	471
Operation and maintenance services	37,400	34,007	3,393
Central services	1,356,301	1,820,156	(463,855)
Debt service:			
Principal repayment	96,600	129,532	(32,932)
Interest and fiscal charges	2,500	2,496	4
Total Expenditures	<u>1,497,131</u>	<u>1,990,050</u>	<u>(492,919)</u>
Excess of Revenues Over Expenditures	<u>107,582</u>	<u>(383,380)</u>	<u>(490,962)</u>
Other Financing Sources (Uses)			
Capital lease proceeds	-	495,138	495,138
Transfers in	70,584	70,563	(21)
Transfers out	(51,997)	(51,997)	-
Other Financing Sources (Uses)	<u>18,587</u>	<u>513,704</u>	<u>495,117</u>
Net Change in Fund Balances	126,169	130,324	4,155
Fund Balances, Beginning of Year	<u>554,649</u>	<u>554,649</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 680,818</u>	<u>\$ 684,973</u>	<u>\$ 4,155</u>

EASTERN UPPER PENINSULA INTERMEDIATE SCHOOL DISTRICT
Business Services Consortium Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2018

	Budget	Actual	Variance
Revenues			
Local sources	\$ 500	\$ 593	\$ 93
State sources	12,117	11,927	(190)
Interdistrict sources	416,700	417,355	655
Total Revenues	<u>429,317</u>	<u>429,875</u>	<u>558</u>
Expenditures			
Supporting services:			
Business services	422,386	417,658	4,728
Debt service:			
Principal repayment	51,536	51,764	(228)
Interest and fiscal charges	682	454	228
Total Expenditures	<u>474,604</u>	<u>469,876</u>	<u>4,728</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(45,287)</u>	<u>(40,001)</u>	<u>5,286</u>
Fund Balances, Beginning of Year	<u>165,011</u>	<u>165,011</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 119,724</u></u>	<u><u>\$ 125,010</u></u>	<u><u>\$ 5,286</u></u>