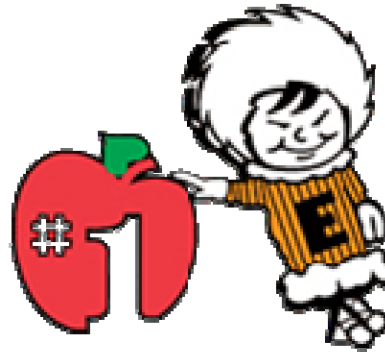


Escanaba Area
Public Schools



Year Ended
June 30, 2016

Financial
Statements and
Single Audit Act
Compliance

ESCANABA AREA PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 12, 2016

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Escanaba Area Public Schools* (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity 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 the schedules for the pension plan and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Taxable Valuations, Tax Rates, and Tax Levies has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the District's internal control over financial reporting and compliance.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Escanaba Area Public School's (the "District") management's discussion and analysis is intended to assist the reader in focusing on significant issues, provide an overview of the District's financial activity, identify changes in the District's financial position, and its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District's financial position as a whole. The District-wide financial statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the District's operation in more detail than the District-wide financial statements by providing information about the District's most significant fund - the General Fund and other less significant funds. Another statement, the Statement of Fiduciary Net Position, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
(other than MD&A, expanded)

Combining and Individual Fund Financial Statements and Schedules

Other Information (Unaudited)

As mentioned, GASB 34 requires the presentation of two basic types of financial statements: District-wide Financial Statements and Fund Financial Statements.

District-wide financial 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 and the statement of activities, which appear first in the District's financial statements, include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, and uses the accrual basis of accounting. This means that all of the current year's revenues and expenses are taken into account regardless of when cash is received.

The statement of net position combines and consolidates governmental funds current financial resources (short-term available resources) with capital and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the statement of activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Fund Financial Statements. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore, represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in District programs. In addition, capital asset purchases are shown as expenditures and not recorded as an asset. Current period debt payments are recorded as expenditures and future debt obligations are not recorded.

Fund types include the General Fund, special revenue fund, debt service funds, capital projects funds and fiduciary funds. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions, grants, and other intergovernmental revenues. The special revenue fund is comprised of food service activities. The debt service funds are used to record the funding and payment of principal and interest on bonded debt. The capital projects funds are used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities. The fiduciary funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

	Major Features of District-Wide and Fund Financial Statements		
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District, except for fiduciary funds.	All District activities that are not fiduciary in nature.	Funds administered on behalf of someone else.
Required statements	Statement of Net Position. Statement of Activities.	Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances.	Statement of Fiduciary Net Position. Statement of Changes in Fiduciary Net Position.
Accounting basis and focus	Full accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Full accrual accounting and economic resources focus.
Type of asset and liability information	All assets and liabilities both financial and capital, short-term and long-term.	Generally assets expected to be used and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the District as a Whole

	Net Position		
	District-Wide Activities		Percent Change
	2016	2015	
Assets			
Current and other assets	\$ 6,112,556	\$ 6,446,726	-5.18%
Capital assets, net	35,202,208	36,149,828	-2.62%
Total assets	41,314,764	42,596,554	-3.01%
Deferred outflows of resources			
Deferred loss on bond refunding	1,012,648	1,118,509	-9.46%
Deferred pension amounts	5,110,747	3,977,898	28.48%
Total deferred outflows of resources	6,123,395	5,096,407	20.15%
Liabilities			
Long-term liabilities	29,213,106	31,009,278	-5.79%
Other liabilities	38,690,690	33,384,433	15.89%
Total liabilities	67,903,796	64,393,711	5.45%
Deferred inflows of resources	113,002	3,260,394	100.00%
Net position			
Net investment in capital assets	8,196,378	7,292,254	12.40%
Restricted for:			
Capital projects	110,502	8,223	1243.82%
Debt service	519,284	747,303	-30.51%
Food service	35,079	31,565	11.13%
Unrestricted (deficit)	(29,439,882)	(28,040,489)	4.99%
Total net position	\$ (20,578,639)	\$ (19,961,144)	3.09%

Summary of Net Position

The District's net position was a deficit of approximately (\$20,579,000) and (\$19,961,000) for 2016 and 2015, respectively. Total net position can be separated into three categories: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets is a combination of funds invested in capital assets, less accumulated depreciation and related debt. The original cost of capital assets is approximately \$52,542,000 and \$52,326,000 for 2016 and 2015, respectively. The threshold for recording capital assets is \$5,000. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with accounting principles generally accepted in the United States of America (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated useful life of the assets. Total accumulated depreciation is approximately \$17,340,000 for 2016 and \$16,176,000 for 2015. Total debt related to capital assets is approximately \$28,018,000 for 2016 and \$29,976,000 for 2015.

Restricted net position for capital projects, debt service, and food service are by their nature restricted for use by laws or regulations by the State of Michigan. These balances totaled approximately \$111,000, \$519,000, and \$35,000, respectively for 2016, and approximately \$8,000, \$747,000, and \$32,000 for capital projects, debt service and food service, respectively, for 2015.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

The remaining balance in unrestricted net position represents a deficit of approximately \$29,440,000 for 2016 and \$28,040,000 for 2015.

The results of operations for the District as a whole are reported in the statement of activities. A summary of the District-wide results of operations for the year ended June 30, 2016 and 2015 is as follows:

	Change in Net Position		
	District-Wide Activities		Percent Change
	2016	2015	
Program revenues			
Charges for services - local	\$ 572,256	\$ 546,637	4.69%
Operating grants - federal, state, and local	2,400,342	1,986,877	20.81%
Total program revenues	2,972,598	2,533,514	17.33%
General revenue			
Property taxes - operations	3,778,784	3,754,416	0.65%
Property taxes - debt retirement	3,030,032	3,016,034	0.46%
State of Michigan aid - unrestricted	13,524,741	14,060,842	-3.81%
State of Michigan aid - restricted	3,303,224	2,639,938	25.13%
Other	219,907	184,054	19.48%
Total general revenue	23,856,688	23,655,284	0.85%
Total revenue	26,829,286	26,188,798	2.45%
Expenses			
Instruction	15,536,837	12,752,712	21.83%
Supporting services	8,119,730	7,318,895	10.94%
Community services	49,567	49,732	-0.33%
Food services	1,175,766	1,145,621	2.63%
Interest on long-term debt	1,386,628	1,425,186	-2.71%
Unallocated depreciation	1,178,253	1,163,384	1.28%
Total expenses	27,446,781	23,855,530	15.05%
Change in net position	(617,495)	2,333,268	-126.46%
Net position, beginning of year	(19,961,144)	6,693,462	-398.22%
Restatement for implementation of GASB 68	-	(28,949,131)	0.00%
Restatement for payroll accrual	-	(38,743)	0.00%
Net position, beginning of year, as restated	(19,961,144)	(22,294,412)	-10.47%
Net position, end of year	\$ (20,578,639)	\$ (19,961,144)	3.09%

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Of the District's 2016 total revenues available to operate the District, 2.13% or approximately \$572,000 came from fees charged to those who benefited from the programs. Revenues from other governments or organizations that subsidize certain programs with grants and other directed types of funding approximated 8.95% or approximately \$2,400,000.

The State foundation allowance accounted for 62.72% or approximately \$16,828,000 of the revenue available. This revenue is determined by a formula that incorporates pupil headcount, the annual per pupil allowance, and the non-homestead property taxable values of the District.

Property tax revenues accounted for 25.38% or approximately \$6,809,000 of the revenue available. Of the total property tax revenues reported, approximately \$3,779,000 was allocated to operations and approximately \$3,030,000 was allocated to debt retirements. Other revenues accounted for .82% of available revenues or \$220,000.

The expense portion of table above shows the financial support of each functional area required during the year. Expenses increased from the prior fiscal year by approximately \$3,584,000 or 15.02%. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$15,537,000 or 56.61% of total expenses. Support services costs are approximately \$8,120,000 or 29.58% of total expenses, which include such items as transportation, maintenance, security, supervision, counseling, athletics, and a variety of similar services that support the District's mission of educating children.

Major Governmental Funds Budgeting and Operating Highlights

The District's Funds

The overall position of the governmental funds has decreased by approximately \$906,000 from the prior year. The General Fund balance decreased approximately \$769,000 which accounted for a majority of the decrease in overall position.

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

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known and the State of Michigan's budget has been finalized. Therefore, it is expected that there will be changes between the initial budget and subsequent amendments, as actual enrollments are known and the State of Michigan's budget is adopted by October 1 and any subsequent budget amendments are made. The most significant fund budgeted is the General Fund. The General Fund budget was amended three times during the year. The most significant amendment was Amendment #2 adversely affecting the projected ending fund balance by approximately \$410,000, mainly due to the repayment of property tax revenue as a result of tax tribunal judgments in the amount of \$364,269.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

General Fund Operations

Financial Highlights - General Fund					
Fiscal Year	Revenue	Expenditures and Transfers	Fund Balance	Enrollment	Increase/ (Decrease) in Student Enrollment
2006-2007	\$ 21,174,541	\$ 21,438,666	\$ 2,591,293	2,882	81
2007-2008	21,516,630	21,580,929	2,526,994	2,778	(104)
2008-2009	21,431,735	21,407,472	2,551,257	2,716	(62)
2009-2010	22,728,518	23,507,969	1,771,806	2,712	(4)
2010-2011	22,590,284	22,716,143	1,647,236	2,628	(84)
2011-2012	22,202,500	22,869,719	980,017	2,587	(41)
2012-2013	21,418,411	21,115,220	1,283,208	2,522	(65)
2013-2014	21,649,496	20,995,286	1,443,710	2,511	(11)
2014-2015	22,001,072	21,766,576	1,639,463	2,479	(32)
2015-2016	22,566,778	23,504,571	870,240	2,403	(76)

In the General Fund operations, the actual revenue was approximately \$22,567,000. This is above the original budgeted revenues of approximately \$22,047,000 and below the final amended budgeted revenues of approximately \$22,757,000, a variance of approximately 0.74%. The actual expenditures of the General Fund operations were approximately \$23,505,000. This is above the original budget of approximately \$22,359,000 and below the final budget of approximately \$23,742,000, a variance of approximately 1.0%.

The General Fund experienced a greater decline in student enrollment than was initially anticipated. This decline, in addition to an increase in salary and benefits resulting in negotiations subsequent to the budget adoption process and the demand for increased special education, was most to blame for the overall decline in fund balance during the fiscal year. This is represented by a decrease in unrestricted state aid revenue and an increase in expenses relating to instruction and supporting services as compared to the prior year.

The 2001 Debt Retirement Fund paid off the remaining 2006 Refunding Bonds by way of the 2016 Bond Refunding. This refunding resulted in principal payments in the amount of \$7,380,000 and a fund transfer from the 2016 Refunding Bonds Fund in the amount of \$7,158,161 to assist in the payments.

Governmental Fund Expenditures

Below is a summary of the governmental fund expenditures by fund and their percentages of total governmental funds:

	Expenditures	Percentage
General Fund	\$ 23,504,571	67%
2001 debt retirement fund	7,672,111	22%
Nonmajor governmental funds	3,955,686	11%
Total	\$ 35,132,368	100%

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Revenues for all governmental funds totaled approximately \$26,829,000. Below is a summary of the governmental fund revenues by source and their percentages of total governmental funds:

	Revenues	Percentage
Local sources	\$ 7,836,074	29%
State sources	16,875,866	63%
Federal sources	1,510,125	6%
Other	607,221	2%
Total	\$ 26,829,286	100%

Unrestricted State Aid

The District is predominately funded by State Aid based on a blended count formula that the State of Michigan utilizes. State aid membership counts were 2,403 and 2,479 for fiscal 2016 and 2015, respectively. Despite this decline in the state aid membership count, State revenues to the District have increased by approximately \$120,000 from the previous year due to increases in categorical restricted state revenues such as 147c MPSERS UAAL Rate Stabilization, 31a At Risk, and 51c Special Education Headlee Obligation funding.

Property Taxes

The District levies 18 mills of property taxes on all non-homestead property and 6 mills on commercial personal property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of the market value. The fiscal 2016 non-homestead and personal property tax levies totaled approximately \$3,794,000.

The District levied 4.75 mills of property taxes on all classes of property located within the District for bonded debt retirement. The levy is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement for fiscal year 2016 was approximately \$3,002,000.

Operating Grants - Federal, State, and Local

The primary sources of operating grants are the Federal Title I and Title II programs, the State funded At Risk program, and the Special Education Obligation funds required under the Headlee Amendment, State of Michigan legislation. Both Title I and Title II and At Risk programs assist students who are deemed to be at risk in the instructional process. For fiscal 2016, the District expended approximately \$631,000, \$123,000 and \$627,000 for the Title I, Title II and At Risk programs, respectively.

Enrollment

The District's 2015-2016 blended enrollment totaled 2,403, which is a decrease of 76 students from the previous year. Escanaba Area Public Schools is located in Michigan's Upper Peninsula and is the second largest district in Upper Michigan.

The past two years have seen changes in the economic condition of the community. The District has begun to see improvements in the regional economic condition. Continual close monitoring of the regional employment opportunities along with birth rates will help the District project enrollment changes over time.

Student enrollment FTE (full time equivalent) is important to the financial health of the District because state funding is based on a per pupil FTE formula.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets. At the end of fiscal 2016, the School District had approximately \$52,542,000 invested in land and building, machinery and equipment, vehicles and buses. Of this amount approximately \$17,340,000 has been depreciated. Net book value totals approximately \$35,202,000. The years of construction of the District buildings and improvements ranges from 1931 to 2016. The District currently owns five elementary buildings of which two have been previously closed due to declining enrollment. Of the closed buildings, one building is used to operate the Escanaba Student Success Center and the Escanaba Virtual Career Center. The other building is currently being used for storage for excess building equipment. Beginning in fiscal year 2013 the reconfiguration of building grade levels was completed with K-3 in each of three elementary buildings, 4-6 became the Upper Elementary building, 7-8 became the Junior High and 9-12 became the Senior High School. Due to budget constraints related to declining enrollment, the State of Michigan financial status, and increasing fringe benefits, the ability to maintain these buildings has been becoming increasingly difficult. This reconfiguration was based on declining enrollment and efficient use of all facilities to meet the educational needs of the students of the District.

The District's capitalization policy is to capitalize assets purchased in amounts of more than \$5,000 that have an estimated useful life in excess of one year.

Outstanding Debt at Year End

Long-term Debt. As of June 30, 2016, the District had approximately \$25,825,000 in bonds outstanding from capital projects and approximately \$249,000 in installment purchase agreements outstanding. The District collects bonded debt across the total property values. Therefore, total growth in valuation is an important element in determining the District's ability to retire bonded debt and/or to incur additional debt.

During the 15/16 fiscal year the district issued new debt consisting of \$6,565,000 2016 refunding bonds, due in annual installments ranging from \$715,000 to \$1,523,000 with final payment due on May 1, 2021.

For more detailed information regarding capital assets and debt administration, please review the notes to financial statements located in the financial section of this report.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2016 fiscal year budgets. There are many important factors affecting the budget, two of which are our student count and state per-pupil foundation allowance. In the 2014-2015 year our student count dipped to a blended count of 2,479. In 2015-2016, the blended count declined to 2,403 students. This was a reduction of 76 students in one year, and equates to approximately \$562,000 less in state foundation allowance. Enrollment is expected to continue to decline into the 2016-2017 school year as the Upper Peninsula of Michigan's employment opportunities continue to be limited. The 2017 fiscal year budget will reflect new programs and new opportunities for students while continually monitoring costs as state and local funding remains conservative.

The Board of Education and administration worked closely with staff and community members to create a budget that would provide unique opportunities for students while remaining fiscally responsible. Continued changes in staff and programs were included in the fiscal 2016 budget. The Board of Education chose to reduce costs through various budget reductions to achieve a balanced adopted budget for the fiscal year 2016-2017. The Board and Administration continue to develop a strategy to reduce spending while providing a quality education to Escanaba students and maintain the long-term fiscal health of the District.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Contacting the District's Financial Management

This report is designed to give an overview of the financial conditions of the Escanaba Area Public Schools. If you should desire additional detailed financial information, you may address it to Kevin Pascoe, the Director of Business Services, Escanaba Area Public Schools, District Administration Office, 1500 Ludington Street, Escanaba, Michigan 49829 or you may call (906)786-5412.

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BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

ESCANABA AREA PUBLIC SCHOOLS

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,791,858
Receivables	3,300,110
Inventories	17,996
Post employment benefit asset	2,592
Capital assets not being depreciated	720,597
Capital assets being depreciated, net	<u>34,481,611</u>
Total assets	<u>41,314,764</u>
Deferred outflows of resources	
Deferred loss on bond refunding	1,012,648
Deferred pension amounts	<u>5,110,747</u>
Total deferred outflows of resources	<u>6,123,395</u>
Liabilities	
Accounts payable and accrued liabilities	2,792,687
Unearned revenue	46,189
State aid anticipation notes payable	1,735,983
Long-term liabilities:	
Due within one year	2,166,773
Due in more than one year	27,046,333
Net pension liability	<u>34,115,831</u>
Total liabilities	<u>67,903,796</u>
Deferred inflows of resources	
Deferred pension amounts	<u>113,002</u>
Net position	
Net investment in capital assets	8,196,378
Restricted for:	
Capital projects	110,502
Debt service	519,284
Food service	35,079
Unrestricted (deficit)	<u>(29,439,882)</u>
Total net position	<u>\$ (20,578,639)</u>

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Activities For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 15,536,837	\$ -	\$ 1,433,045	\$ (14,103,792)
Supporting services	8,119,730	133,510	235,095	(7,751,125)
Community services	49,567	-	-	(49,567)
Food services	1,175,766	438,746	732,202	(4,818)
Interest on long-term debt	1,386,628	-	-	(1,386,628)
Unallocated depreciation	1,178,253	-	-	(1,178,253)
Total	\$ 27,446,781	\$ 572,256	\$ 2,400,342	(24,474,183)
General revenues:				
Property taxes - operations				3,778,784
Property taxes - debt retirement				3,030,032
State of Michigan aid - unrestricted				13,524,741
State of Michigan aid - restricted				3,303,224
Other				219,907
Total general revenues				23,856,688
Change in net position				(617,495)
Net position, beginning of year				(19,961,144)
Net position, end of year				\$ (20,578,639)

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

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FUND FINANCIAL STATEMENTS

ESCANABA AREA PUBLIC SCHOOLS

Balance Sheet Governmental Funds June 30, 2016

	General Fund	2001 Debt Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,832,415	\$ 677,373	\$ 282,070	\$ 2,791,858
Accounts receivable	194,431	-	20,379	214,810
Due from other funds	-	-	2,718	2,718
Due from other governmental units	3,085,300	-	-	3,085,300
Inventories	-	-	17,996	17,996
Total assets	\$ 5,112,146	\$ 677,373	\$ 323,163	\$ 6,112,682
Liabilities				
Accounts payable	\$ 118,021	\$ -	\$ 5,799	\$ 123,820
Salaries payable	1,137,596	-	-	1,137,596
Due to other funds	2,718	-	-	2,718
Accrued liabilities	1,201,399	-	21,852	1,223,251
Unearned revenues	46,189	-	-	46,189
State aid anticipation notes payable	1,735,983	-	-	1,735,983
Total liabilities	4,241,906	-	27,651	4,269,557
Fund balances				
Nonspendable for inventories	-	-	17,996	17,996
Restricted:				
Debt service	-	677,373	149,931	827,304
Food service	-	-	17,083	17,083
Assigned:				
Capital projects	-	-	110,502	110,502
Unassigned	870,240	-	-	870,240
Total fund balances	870,240	677,373	295,512	1,843,125
Total liabilities and fund balances	\$ 5,112,146	\$ 677,373	\$ 323,163	\$ 6,112,682

The accompanying notes are integral part of these financial statements.

ESCANABA AREA PUBLIC SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2016

Fund balances - total governmental funds	\$ 1,843,125
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	720,597
Capital assets being depreciated, net	34,481,611
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and installment purchase agreements payable	(26,073,570)
Deferred loss on bond refunding	1,012,648
Unamortized bond premiums, net	(1,944,908)
Accrued interest on bonds payable	(308,020)
Compensated absences	(1,194,628)
Net other postemployment benefit asset	2,592
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(34,115,831)
Deferred outflows related to the net pension liability	5,110,747
Deferred inflows related to the net pension liability	(113,002)
Net position of governmental activities	<u>\$ (20,578,639)</u>

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General Fund	2001 Debt Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 4,305,768	\$ 1,487,101	\$ 2,043,205	\$ 7,836,074
State sources	16,827,965	-	47,901	16,875,866
Federal sources	825,824	-	684,301	1,510,125
Other sources	607,221	-	-	607,221
Total revenues	22,566,778	1,487,101	2,775,407	26,829,286
Expenditures				
Current:				
Instructional services	15,140,074	-	-	15,140,074
Supporting services	8,203,486	-	-	8,203,486
Community services	48,745	-	-	48,745
Food services	-	-	1,166,590	1,166,590
Debt service:				
Principal	72,338	7,380,000	1,803,913	9,256,251
Interest and fiscal charges	39,928	292,111	862,262	1,194,301
Bond issuance costs	-	-	70,373	70,373
Capital outlay	-	-	36,308	36,308
Total expenditures	23,504,571	7,672,111	3,955,686	35,132,368
Revenues over (under) expenditures	(937,793)	(6,185,010)	(1,180,279)	(8,303,082)
Other financing sources (uses)				
Proceeds from issuance of long-term debt	168,570	-	7,228,634	7,397,204
Transfers in	-	7,158,161	909,359	8,067,520
Transfers out	-	(903,275)	(7,164,245)	(8,067,520)
Total other financing sources (uses)	168,570	6,254,886	973,748	7,397,204
Net changes in fund balances	(769,223)	69,876	(206,531)	(905,878)
Fund balances, beginning of year	1,639,463	607,497	502,043	2,749,003
Fund balances, end of year	\$ 870,240	\$ 677,373	\$ 295,512	\$ 1,843,125

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

ESCANABA AREA PUBLIC SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ (905,878)

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 those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	238,789
Depreciation expense	(1,178,253)
Loss on disposal of capital assets	(8,156)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net position.

Proceeds from issuance of long-term debt	(6,733,570)
Premium related to bond issuance	(663,634)
Principal payments on long-term debt	9,256,250

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in net pension liability and related deferred amounts	(343,214)
Accrual for compensated absences	(161,433)
Accrued interest payable on long-term debt	(114,651)
Amortization of deferred loss on bond refunding	(105,861)
Amortization of deferred issuance bond premium	98,559
Change in net other postemployment benefit obligation	3,557

Change in net position of governmental activities \$ (617,495)

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 4,440,731	\$ 4,345,267	\$ 4,305,768	\$ (39,499)
State sources	16,645,277	16,839,769	16,827,965	(11,804)
Federal sources	784,239	955,024	825,824	(129,200)
Other sources	177,000	617,268	607,221	(10,047)
Total revenues	22,047,247	22,757,328	22,566,778	(190,550)
Expenditures				
Current:				
Instructional services	14,656,986	15,228,143	15,140,074	(88,069)
Supporting services:				
Instructional support services	2,147,631	2,432,137	2,376,447	(55,690)
Office of the principal	1,193,825	1,216,331	1,250,688	34,357
District support services	977,826	1,234,114	1,214,694	(19,420)
Operations and maintenance	1,642,405	1,617,506	1,549,806	(67,700)
Pupil transportation	1,192,713	1,362,572	1,340,628	(21,944)
Athletics	389,548	481,543	471,223	(10,320)
Community services	50,576	56,375	48,745	(7,630)
Debt service:				
Principal	73,000	72,666	72,338	(328)
Interest and fiscal charges	34,100	40,076	39,928	(148)
Total expenditures	22,358,610	23,741,463	23,504,571	(236,892)
Revenues over (under) expenditures	(311,363)	(984,135)	(937,793)	46,342
Other financing sources (uses)				
Proceeds from issuance of debt	-	168,570	168,570	-
Net change in fund balance	(311,363)	(815,565)	(769,223)	46,342
Fund balance, beginning of year	1,639,463	1,639,463	1,639,463	-
Fund balance, end of year	\$ 1,328,100	\$ 823,898	\$ 870,240	\$ 46,342

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Private Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents	\$ 294,199	\$ 129,436
Accrued interest	4,798	-
Investments - at fair value:		
Corporate bonds	358,395	-
Common stocks	1,258,332	-
Mutual funds	3,187,617	-
Real assets	410,461	-
	<u>\$ 5,513,802</u>	<u>\$ 129,436</u>
Total assets	<u>\$ 5,513,802</u>	<u>\$ 129,436</u>
Liabilities		
Due to student groups	-	<u>\$ 129,436</u>
Net position restricted for scholarships	<u>\$ 5,513,802</u>	

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Year Ended June 30, 2016

	Private Purpose Trusts
Additions	
Contributions	\$ 250,706
Investment income (loss):	
Interest and dividends	157,912
Net decrease in fair value of investments	<u>(165,496)</u>
Net investment loss	<u>(7,584)</u>
Total additions	<u>243,122</u>
Deductions	
Scholarships and trophies	295,404
Trustee fees	<u>30,306</u>
Total deductions	<u>325,710</u>
Change in net position	(82,588)
Net position, beginning of year	<u>5,596,390</u>
Net position, end of year	<u><u>\$ 5,513,802</u></u>

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

NOTES TO FINANCIAL STATEMENTS

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

A summary of the significant accounting policies of *Escanaba Area Public Schools* (the "District") consistently applied in the preparation of the accompanying financial statements follows:

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

District-wide and Fund Financial Statements

The District-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ended June 30, 2016.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District-wide financial statements and the Private Purpose Trust Fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Agency Fund follows the accrual basis of accounting, but does not have a measurement focus.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, except taxes which must be collected within 60 days, and reimbursement type grants which must be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state school aid, expenditure-driven grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

The *2001 Debt Retirement Fund* accounts for financial resources restricted for principal and interest payments on bonds payable. Revenues are generated primarily through property tax millage.

Additionally, the District reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects that comprise, or are expected to comprise a substantial portion of the fund's total reported inflows.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *Private-Purpose Trust Funds* are trust arrangements under which principal and income benefit individuals in the form of scholarships. The District maintains two private-purpose trust funds.

The *Agency Fund* accounts for assets held for other groups and organizations and is custodial in nature.

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

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

Deposits and investments

Cash and cash equivalents include cash on hand, demand deposits, savings accounts, certificates of deposit with maturities of less than three months, and shares in a government money market account.

Investments are reported at fair value.

Receivables

The District follows the practice of recording as receivables at year end, revenues that have been earned but not yet received. Receivables consist primarily of state school aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

Inventories

Inventories are valued at cost (first-in, first-out). Inventories consist of expendable supplies held for sale or consumption. The cost is recorded as an expenditure when consumed or sold rather than when purchased. Reported inventories are equally offset by nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Capital assets

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

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

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

Assets	Years
Buildings and improvements	20-50
Machinery and equipment	5-10
Vehicles and buses	5-10

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Deferred outflows of resources

In addition to assets, the statement of financial 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 one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports the deferred loss on bond refunding and amounts related to the net pension liability as deferred outflows of resources. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The remaining portion of the deferred outflow of resources represent contributions to the plan subsequent to the plan measurement date.

Salaries payable and other accrued liabilities

Salaries payable is recorded at June 30, 2016 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

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

Compensated absences

Most employees of the District are compensated for leaves of absence attributable to sick days. Each school year, the covered employees are credited with a number of sick days and any unused portion of such allowances can accumulate. Upon retirement, those employees who meet certain age and years of service requirements will be paid for a portion of sick days accumulated to a maximum number of days and at a rate determined by their job category.

The liability for the sick leave has been computed using the vesting method in accordance with Governmental Accounting Standards Board Statement No. 16. This liability is shown on the statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources are related to pension costs.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Long-term obligations

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium and/or discount.

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

Bonded construction costs

The 2010 Construction Capital Project Fund includes activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code. Beginning in the year of issuance, the District has recorded the annual construction activity in the 2010 Construction Capital Project Fund.

Fund Equity

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

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

Property Taxes

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2015 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

Pensions

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

Use of Estimates

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

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by the State of Michigan school aid appropriations act. State funding represents 75% of the District's general fund revenue during the 2016 fiscal year.

3. DEFICIT NET POSITION

Governmental activities reported a deficit in unrestricted net position in the amount of \$29,439,882 at June 30, 2016. Total net position amounted to a deficit of \$20,578,639.

4. BUDGETARY INFORMATION

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

The General Fund and special revenue fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles ("GAAP"), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budget for the General Fund is adopted on a functional basis.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. The approved budgets of the District were adopted at the functional level by the Board of Education for all governmental funds, which is the legal level of control. During the year ended June 30, 2016 expenditures of the general fund exceeded the budgeted functional level amounts as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
Office of the principal	\$ 1,216,331	\$ 1,250,688	\$ 34,357

5. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2016:

	Totals
Governmental Activities	
Cash and cash equivalents	\$ 2,791,858
Fiduciary Funds	
Private Purpose Trusts:	
Cash and cash equivalents	294,199
Investments	5,214,805
Agency Funds:	
Cash and cash equivalents	129,436
Total	\$ 8,430,298
Deposits and investments	
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 3,213,893
Investments:	
Corporate bonds	358,395
Common stocks	1,258,332
Mutual funds	3,187,617
Real assets	410,461
Cash on hand	1,600
Total	\$ 8,430,298

Michigan law authorizes the District to deposit and invest in:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than five years after the purchase dates.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

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

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

External Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The purpose of investments is to maximize the returns on the District's excess cash balances consistent with safety of those monies and with the desired liquidity of the investments.

The District's scholarship funds, which are reported as private purpose trust funds, are invested with a balanced objective. This balanced objective is a balance between current income and long-term capital appreciation. The Scholarship Committee reviews investment performance on an annual basis to ensure compliance with the objectives.

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

Investment and Deposit Risk

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

No maturity	\$ 4,856,411
1 - 5 Years	<u>358,394</u>
Total	<u>\$ 5,214,805</u>

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Notes to Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The following is a summary of the District's investments as of June 30, 2016.

Not rated	\$ 4,856,411
S&P A	109,911
S&P AA	221,692
S&P BBB	<u>26,791</u>
Total	<u>\$ 5,214,805</u>

Fair Value - The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of year-end, the District's investments were all considered to be Level 1.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$2,849,765 of the District's bank balance of \$3,201,815 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investments listed above, the custodial credit risk cannot be determined because these investments are uncategorized as to credit risk.

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

6. RECEIVABLES

Receivables are 93% due from other governments and 7% due from customers.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are 5% due to vendors, 84% payroll and related liabilities and 11% accrued interest.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The District reports interfund balances between certain funds. These interfund balances resulted primarily from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. As of June 30, 2016, the Food Service Fund had an outstanding receivable from the General Fund for \$2,718.

For the year ended June 30, 2016, interfund transfers consisted of the following:

Transfers Out	Purpose	Transfers In		
		2001 Debt Retirement	Nonmajor Governmental Funds	Total
2001 Debt Retirement	Debt service	\$ -	\$ 903,275	\$ 903,275
Nonmajor governmental funds	Support		6,084	6,084
Nonmajor governmental funds	Bond refunding /debt service	7,158,161		7,158,161
Total		<u>\$ 7,158,161</u>	<u>\$ 909,359</u>	<u>\$ 8,067,520</u>

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During the year ended June 30, 2016, the 2016 Refunding Bonds Fund transferred \$7,158,161 to the 2001 Debt Retirement Fund.

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Notes to Financial Statements

9. CAPITAL ASSETS

Capital assets activity was as follows for the year ended June 30, 2016:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 720,597	\$ -	\$ -	\$ -	\$ 720,597
Capital assets, being depreciated:					
Buildings and improvements	47,326,373	56,840	-	9,875	47,393,088
Machinery and equipment	2,643,384	13,379	(22,500)	(9,875)	2,624,388
Vehicles and buses	1,635,585	168,570	-	-	1,804,155
	<u>51,605,342</u>	<u>238,789</u>	<u>(22,500)</u>	<u>-</u>	<u>51,821,631</u>
Less accumulated depreciation for:					
Buildings and improvements	(13,225,995)	(888,910)	-	(9,875)	(14,124,780)
Machinery and equipment	(1,591,917)	(185,965)	14,344	9,875	(1,753,663)
Vehicles and buses	(1,358,199)	(103,378)	-	-	(1,461,577)
	<u>(16,176,111)</u>	<u>(1,178,253)</u>	<u>14,344</u>	<u>-</u>	<u>(17,340,020)</u>
Total capital assets being depreciated, net	<u>35,429,231</u>	<u>(939,464)</u>	<u>(8,156)</u>	<u>-</u>	<u>34,481,611</u>
Governmental activities capital assets, net	<u>\$ 36,149,828</u>	<u>\$ (939,464)</u>	<u>\$ (8,156)</u>	<u>\$ -</u>	<u>\$ 35,202,208</u>

Depreciation expense of \$1,178,253 is reported as unallocated in the statement of activities.

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Notes to Financial Statements

10. STATE AID ANTICIPATION NOTES PAYABLE

The District annually issues state aid anticipation notes in advance of receiving its state aid payments.

Short-term debt activity related to these notes for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
State aid anticipation notes payable	\$ 1,733,769	\$ 3,800,000	\$ (3,797,786)	\$ 1,735,983

The balance at June 30, 2016 includes accrued interest of \$18,486.

The note which carries interest rates ranging from 0.420%-1.235% is repaid annually as a reduction of state aid with the remaining outstanding balance repaid in a lump sum in July and August.

11. LONG-TERM DEBT

Long-term debt activity of the District for the year ending June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
General obligation bonds	\$ 28,410,000	\$ 6,565,000	\$ (9,150,000)	\$ 25,825,000	\$ 1,730,000
Installment purchase agreements	186,250	168,570	(106,250)	248,570	76,570
Total installment debt	28,596,250	6,733,570	(9,256,250)	26,073,570	1,806,570
Bond premium	1,379,833	663,634	(98,559)	1,944,908	231,286
Accrued compensated absences	1,033,195	225,937	(64,504)	1,194,628	128,917
Total	\$ 31,009,278	\$ 7,623,141	\$ (9,419,313)	\$ 29,213,106	\$ 2,166,773

The District reports the estimated compensated absences accrual based on the number of years an employee has been with the District. The number of employed years for the accrual estimate is as follows:

Years from Eligibility	Percentage Accrued
0-1	100%
2	80%
3	60%
4	40%
5	20%

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Notes to Financial Statements

Long-term debt at June 30, 2016, includes the following:

General Obligation Bonds

\$6,670,000, 2010 refunding bonds, due in annual installments ranging from \$555,000 to \$1,325,000 with final payment due on May 1, 2017. Interest is paid semi-annually at rates varying from 2.00% to 4.00%.

\$ 555,000

\$19,685,000, 2014 refunding unlimited tax bonds, due in annual installments ranging from \$515,000 to \$1,800,000 with final payment due May 1, 2030. Interest is paid semi-annually at rates varying from 3.00% to 5.00%.

18,705,000

\$6,565,000, 2016 refunding bonds, due in annual installments ranging from \$715,000 to \$1,523,000 with final payment due on May 1, 2021. Interest is paid semi-annually at rates varying from 3.00% to 5.00%.

6,565,000

Total general obligation bonds

\$ 25,825,000

Installment Purchase Agreements

\$166,798, Installment purchase agreements for two buses, due in annual installments of \$34,000 through May 2018, plus interest charged at 2.19%.

\$ 68,000

\$30,015, Installment purchase agreement for a Chevrolet Silverado, due in annual payments of \$6,000 through May 2018, plus interest at 2.12%.

12,000

\$168,570, Installment purchase agreements for two buses, due in annual installments ranging from \$36,570 to \$33,000 through March 2021, plus interest charged at 1.45%.

168,570

Total installment purchase agreements

\$ 248,570

On February 21, 2010, the District advance refunded a portion of the 2001 debt issue. This resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$531,110 and is being charged to operations through the year 2021 using the effective interest method.

On October 5, 2011, the District advance refunded the remaining portion of the 2001 debt issue not previously refunded. This resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$61,000 and is being charged to operations through the year 2017 using the straight-line method.

On May 11, 2010, the District issued new general obligation bonds for the purpose of renovating the high school and other buildings. The new bonds have a face value of \$21,670,000. The net amount received was \$21,382,030. The net difference is due to discounts upon the sale of the bonds. This discount is being amortized over the life of the bonds.

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Notes to Financial Statements

On November 4, 2014, the School District advance refunded \$21,049,780, of 2010 School Building bonds to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on \$21,049,780 of refunded debt. As a result, the bonds are considered defeased and the liability has been removed from the statement of net position. The refunding resulted in a savings of \$1,030,419 and an economic gain of \$934,059.

On February 24, 2016, the School District currently refunded \$7,497,000, of the 2006 refunding bonds. As a result, the bonds are considered defeased and the liability has been removed from the statement of net position. The refunding resulted in a savings of \$501,712 and an economic gain of \$401,191.

Other Long-term liabilities

Early retirement incentive

The current employment contracts with teachers and administrators allow the option of early retirement to those employees who meet state requirements for retirement. Qualified retirees shall receive an early retirement incentive of \$150 per month for a period of up to six years. At June 30, 2016, 44 retirees were receiving or eligible to begin receiving the early retirement incentive, with \$354,900 being paid to these individuals during 2016. The total early retirement incentive liability at June 30, 2016 was \$122,100. This balance is included in accrued compensated absences.

Accrued compensated absences

Accrued employee benefits included in long-term debt are for the accumulated terminal leave of employees from unused sick leave and the early retirement incentive, as previously discussed. The total outstanding accumulated terminal leave and the early retirement incentive at June 30, 2016 was \$1,194,628.

The estimated debt service requirements on bonded debt for principal and interest to maturity as of June 30, 2016 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2017	\$ 1,730,000	\$ 794,250	\$ 2,524,250
2018	1,795,000	759,200	2,554,200
2019	1,870,000	742,800	2,612,800
2020	1,950,000	721,300	2,671,300
2021	2,045,000	2,852,250	4,897,250
2022-2026	9,120,000	2,481,550	11,601,550
2027-2030	7,315,000	614,250	7,929,250
Total	\$ 25,825,000	\$ 8,965,600	\$ 34,790,600

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Notes to Financial Statements

The estimated debt service requirements on installment purchase agreements for principal and interest to maturity as of June 30, 2016 are as follows:

Year Ending June 30,	Installment Purchase Agreements		
	Principal	Interest	Total
2017	\$ 76,570	\$ 4,188	\$ 80,758
2018	73,000	872	73,872
2019	33,000	1,435	34,435
2020	33,000	957	33,957
2021	33,000	479	33,479
Total	\$ 248,570	\$ 7,930	\$ 256,500

The debt service requirements for accrued compensated absences are dependent upon future employee retirements and terminations. Thus, future payments are unknown at June 30, 2016. Compensated absences and early retirement incentives are generally liquidated by the General Fund.

12. RETIREMENT PLAN

Plan Description

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

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

Contributions and Funded Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21-year period.

The table below summarizes pension contribution rates in effect for fiscal year 2015.

Benefit Structure	Member Rates	Employer Rates
Basic	0.0% - 4.0%	22.52% - 23.07%
Member Investment Plan (MIP)	3.0% - 7.0%	22.52% - 23.07%
Pension Plus	3.0% - 6.4%	21.99%
Defined Contribution	0.0%	17.72% - 18.76%

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2016 was \$3,271,804.

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

At June 30, 2016, the District reported a liability of \$34,115,831 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2015, the District's proportion (as calculated by MPSERS) was .13968%, which was an increase of .00578% from its proportion measured as of September 30, 2014.

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Notes to Financial Statements

For the year ended June 30, 2016, the District recognized pension expense of \$3,189,955. At June 30, 2016, the District reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 113,002	\$ (113,002)
Changes in assumptions	840,005	-	840,005
Net difference between projected and actual earnings on pension plan investments	174,134	-	174,134
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,138,610	-	1,138,610
	<u>2,152,749</u>	<u>113,002</u>	<u>2,039,747</u>
District contributions subsequent to the measurement date	2,957,998	-	2,957,998
	<u>2,957,998</u>	<u>-</u>	<u>2,957,998</u>
Total	<u>\$ 5,110,747</u>	<u>\$ 113,002</u>	<u>\$ 4,997,745</u>

Deferred outflows of resources in the amount of \$2,957,998 related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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
2017	\$ 402,170
2018	402,170
2019	356,615
2020	878,791
	<u>\$ 2,039,746</u>

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Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	8.0%
Pension Plus plan (hybrid)	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 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.

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, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.

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Notes to Financial Statements

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.90%	1.64%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.90%
Inflation			<u>2.10%</u>
Investment rate of return			<u>8.00%</u>

Discount Rate

A discount rate of 8.0% 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 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Notes to Financial Statements

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	\$ 43,984,050	\$ 34,115,831	\$ 25,796,516

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2016, the District reported a payable of \$389,145 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that cover up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 were declared unconstitutional by the Supreme Court. Such amounts will be refunded by MPSERS to each District, including interest, and will then be refunded to individual employees.

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Notes to Financial Statements

The District's contributions to MPSERS for other postemployment benefits amounted to \$1,174,921 for the year ended June 30, 2016.

13. OTHER POSTEMPLOYMENT BENEFITS

District Defined Benefit Life Insurance Plan

Plan Description. The District administers a single-employer defined benefit life insurance plan (the "Plan"). In addition to the retirement benefits described above, the Plan provides various levels of life insurance to certain retirees up to the age 70, depending on the applicable employee group, which are advance funded on an actuarial basis. The Plan does not prepare separately-issued financial statements.

Basis of Accounting. The Plan is accounted for using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Funding Policy. The contribution requirements of Plan members and the District are established and may be amended by the Board of Education. The required contribution is based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually by the Board of Education. For the year ended June 30, 2016, the District contributed \$40,659 to the Plan, all of which was to fund current year benefits.

Annual OPEB Cost and Net OPEB Obligation (Asset). The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation (asset):

Annual required contribution	\$ 37,376
Interest on Net OPEB obligation	182
Adjustment to annual required contribution	<u>(456)</u>
Net OPEB cost (expense)	37,102
Contributions made	<u>(40,659)</u>
Decrease in net OPEB obligation	(3,557)
Net OPEB obligation, beginning of year	<u>965</u>
Net OPEB asset, end of year	<u><u>\$ (2,592)</u></u>

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Notes to Financial Statements

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal 2016 and the previous two years was:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2014	\$ 37,125	114%	\$ 6,504
2015	37,757	110%	965
2016	37,102	110%	(2,592)

Funded Status and Funding Progress. As of June 30, 2014, the most recent actuarial date, the accrued liability for benefits was \$336,777, all of which was unfunded.

The schedule of employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits calculations.

Actuarial Methods and 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 active Plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Retirement rate percentages varied based on a specific age between 50 and 65 years old.

Mortality - Life expectancies were based on the IRS 2014 Non-annuitant (sex distinct) and Annuitant (sex distinct) mortality tables.

Turnover - No turnover rates were used in the actuarial valuation.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Life insurance cost trend rate - As of June 30, 2014, the most recent actuarial date, premiums decreased from levels valued in 2013, which was the previous actuarial valuation.

Life insurance premiums - The monthly premiums were based off of three separate categories of employees at three separate rates: Administrators and Supervisors - \$25.00; EEA - \$18.75; Teamsters and Non-Union - \$16.25.

A discount rate of 4.00% was used. The unfunded actuarial accrued liability is being amortized on the level dollar, closed method. The remaining amortization period at June 30, 2016, was thirteen years.

14. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2016, was as follows:

Capital assets:

Not being depreciated	\$ 720,597
Being depreciated, net	<u>34,481,611</u>
	<u>35,202,208</u>

Less related debt:

Noncurrent liabilities:

Due within one year	(2,166,773)
Due in more than one year	(27,046,333)

Add back:

Deferred charge on bond refunding	1,012,648
Accrued compensated absences	<u>1,194,628</u>
	<u>(27,005,830)</u>

Net investment in capital assets	<u>\$ 8,196,378</u>
----------------------------------	---------------------

15. COMMITMENTS AND CONTINGENCIES

Scholarships

Each year the District awards numerous scholarships to graduating students, many of which are paid out over a four year period from the Private-Purpose Trust Funds. The District has consistently recorded the expense for scholarships based on when they are paid, since the students must attain minimum grade levels in order to receive their scholarships. At June 30, 2016 there was approximately \$1,654,000 of outstanding scholarships for the Anna C. Norton Scholarship Private-Purpose Trust Fund and approximately \$3,859,000 for the Co-mingled Private-Purpose Trust Fund.

Federal Grant Programs

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Other

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

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

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2016.

15. SUBSEQUENT EVENTS

In August 2016, the District borrowed \$4,800,000 on state aid anticipation notes with effective interest charged from 0.8565%-1.1964% maturing in July and August 2017.



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REQUIRED SUPPLEMENTARY INFORMATION

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30, 2015	Year Ended June 30, 2016
District's proportionate share of the net pension liability	\$ 29,492,376	\$ 34,115,831
District's proportion of the net pension liability	0.13389%	0.13968%
District's covered-employee payroll	\$ 12,089,451	\$ 12,316,387
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	243.95%	277.00%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%

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

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District Contributions

	Year Ended June 30, 2015	Year Ended June 30, 2016
Contractually required contribution	\$ 3,140,498	\$ 3,271,804
Contributions in relation to the contractually required contribution	<u>(3,140,498)</u>	<u>(3,271,804)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 12,406,912	\$ 12,667,478
Contributions as a percentage of covered employee payroll	25.31%	25.83%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information

District Defined Benefit Life Insurance Plan

Schedule of Employer Contributions		
Years Ended June 30,	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2014	\$ 37,700	114%
2015	38,113	114%
2016	37,376	109%

Schedule of Funding Progress						
Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Under- funded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$ -	\$ 541,232	\$ 541,232	-%	\$11,876,595	5%
6/30/2013	-	640,179	640,179	-	10,680,073	6
6/30/2014	-	336,777	336,777	-	N/A	N/A

* A plan this size is not required to be valued each year. Additional years of data will be included in future years as revised valuations are necessary.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

ESCANABA AREA PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 3,974,103	\$ 3,815,498	\$ 3,778,784	\$ (36,714)
Local restricted	4,704.00	11,352.00	11,352	-
Other local revenue	461,924	518,417	515,632	(2,785)
Total local sources	4,440,731	4,345,267	4,305,768	(39,499)
State sources:				
State aid unrestricted	13,915,669	13,524,369	13,512,749	(11,620)
State aid restricted	2,729,608	3,315,400	3,315,216	(184)
Total state sources	16,645,277	16,839,769	16,827,965	(11,804)
Federal sources	784,239	955,024	825,824	(129,200)
Other sources:				
Other restricted	177,000	617,268	607,221	(10,047)
Total revenues	22,047,247	22,757,328	22,566,778	(190,550)
Expenditures				
Instruction:				
Salaries	8,449,638	8,631,811	8,554,468	(77,343)
Fringe benefits	5,505,857	5,917,366	5,955,880	38,514
Purchased services	376,959	304,096	288,568	(15,528)
Supplies and capital outlay	324,532	374,870	341,158	(33,712)
Total instruction	14,656,986	15,228,143	15,140,074	(88,069)

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual

General Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Continued)				
Support services:				
Instructional support services:				
Salaries	\$ 1,125,735	\$ 1,211,520	\$ 1,179,077	\$ (32,443)
Fringe benefits	770,327	801,157	836,251	35,094
Purchased services	85,894	122,523	73,230	(49,293)
Supplies and capital outlay	165,675	296,937	287,889	(9,048)
	<u>2,147,631</u>	<u>2,432,137</u>	<u>2,376,447</u>	<u>(55,690)</u>
Office of the Principal:				
Salaries	665,212	668,946	674,904	5,958
Fringe benefits	404,061	453,245	491,440	38,195
Purchased services	1,950	1,800	664	(1,136)
Supplies and capital outlay	122,602	92,340	83,680	(8,660)
	<u>1,193,825</u>	<u>1,216,331</u>	<u>1,250,688</u>	<u>34,357</u>
District support services:				
Salaries	338,364	342,519	344,360	1,841
Fringe benefits	177,014	201,671	223,582	21,911
Purchased services	341,050	288,092	251,036	(37,056)
Supplies and capital outlay	121,398	401,832	395,716	(6,116)
	<u>977,826</u>	<u>1,234,114</u>	<u>1,214,694</u>	<u>(19,420)</u>
Operations and maintenance:				
Salaries	321,908	333,450	325,277	(8,173)
Fringe benefits	242,462	244,302	259,222	14,920
Purchased services	500,600	509,794	478,580	(31,214)
Supplies and capital outlay	577,435	529,960	486,727	(43,233)
	<u>1,642,405</u>	<u>1,617,506</u>	<u>1,549,806</u>	<u>(67,700)</u>
Pupil transportation:				
Salaries	534,262	504,713	484,376	(20,337)
Fringe benefits	448,548	450,176	484,184	34,008
Purchased services	50,083	91,351	83,025	(8,326)
Supplies and capital outlay	159,820	316,332	289,043	(27,289)
	<u>1,192,713</u>	<u>1,362,572</u>	<u>1,340,628</u>	<u>(21,944)</u>
Athletics:				
Salaries	189,960	192,573	192,244	(329)
Fringe benefits	88,473	84,400	79,159	(5,241)
Purchased services	72,700	105,290	99,059	(6,231)
Supplies and capital outlay	38,415	99,280	100,761	1,481
	<u>389,548</u>	<u>481,543</u>	<u>471,223</u>	<u>(10,320)</u>
Total support services	<u>7,543,948</u>	<u>8,344,203</u>	<u>8,203,486</u>	<u>(140,717)</u>

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Concluded)				
Community services:				
Salaries	\$ 35,918	\$ 34,251	\$ 29,901	\$ (4,350)
Fringe benefits	14,658	15,146	13,236	(1,910)
Purchased services	-	-	3,198	3,198
Supplies and capital outlay	-	6,978	2,410	(4,568)
Total community services	50,576	56,375	48,745	(7,630)
Debt service:				
Principal	73,000	72,666	72,338	(328)
Interest and fiscal charges	34,100	40,076	39,928	(148)
Total debt service	107,100	112,742	112,266	(476)
Total expenditures	22,358,610	23,741,463	23,504,571	(236,892)
Revenues over (under) expenditures	(311,363)	(984,135)	(937,793)	46,342
Other financing sources				
Proceeds from issuance of debt	-	168,570	168,570	-
Net changes in fund balances	(311,363)	(815,565)	(769,223)	46,342
Fund balance, beginning of year	1,639,463	1,639,463	1,639,463	-
Fund balance, end of year	\$ 1,328,100	\$ 823,898	\$ 870,240	\$ 46,342

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ESCANABA AREA PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue Fund	Capital Project Funds	
	Food Service	2010 Construction	Public Improvement
Assets			
Cash and cash equivalents	\$ 21,637	\$ -	\$ 110,502
Accounts receivable	20,379	-	-
Due from other funds	2,718	-	-
Inventories	17,996	-	-
Total assets	\$ 62,730	\$ -	\$ 110,502
Liabilities			
Accounts payable	\$ 5,799	\$ -	\$ -
Accrued liabilities	21,852	-	-
Total liabilities	27,651	-	-
Fund balances			
Nonspendable for inventories	17,996	-	-
Restricted:			
Debt service	-	-	-
Food service	17,083	-	-
Assigned:			
Capital projects	-	-	110,502
Total fund balances	35,079	-	110,502
Total liabilities and fund balances	\$ 62,730	\$ -	\$ 110,502



Debt Service Funds			
2010 Debt Retirement	2014 Refunding Bonds	2016 Refunding Bonds	Total
\$ 98,337	\$ -	\$ 51,594	\$ 282,070
-	-	-	20,379
-	-	-	2,718
-	-	-	17,996
<u>\$ 98,337</u>	<u>\$ -</u>	<u>\$ 51,594</u>	<u>\$ 323,163</u>
\$ -	\$ -	\$ -	\$ 5,799
-	-	-	21,852
-	-	-	27,651
-	-	-	17,996
98,337	-	51,594	149,931
-	-	-	17,083
-	-	-	110,502
<u>98,337</u>	<u>-</u>	<u>51,594</u>	<u>295,512</u>
<u>\$ 98,337</u>	<u>\$ -</u>	<u>\$ 51,594</u>	<u>\$ 323,163</u>

ESCANABA AREA PUBLIC SCHOOLS

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

Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Fund	Capital Project Funds	
	Food Service	2010 Construction	Public Improvement
Revenues			
Local sources	\$ 438,821	\$ 6	\$ 59,747
State sources	47,901	-	-
Federal sources	684,301	-	-
Total revenues	<u>1,171,023</u>	<u>6</u>	<u>59,747</u>
Expenditures			
Current:			
Salaries	309,366	-	-
Fringe benefits	217,236	-	-
Food services	639,988	-	-
Other	-	2,145	14,095
Debt service:			
Principal	-	-	33,913
Interest and fiscal charges	-	-	1,012
Bond issuance cost	-	-	-
Capital outlay	919	-	35,389
Total expenditures	<u>1,167,509</u>	<u>2,145</u>	<u>84,409</u>
Revenues over (under) expenditures	<u>3,514</u>	<u>(2,139)</u>	<u>(24,662)</u>
Other financing sources (uses)			
Proceeds from issuance of long-term debt	-	-	-
Transfers in	-	-	6,084
Transfers out	-	(6,084)	-
Total other financing sources (uses)	<u>-</u>	<u>(6,084)</u>	<u>6,084</u>
Net changes in fund balances	<u>3,514</u>	<u>(8,223)</u>	<u>(18,578)</u>
Fund balances, beginning of year	<u>31,565</u>	<u>8,223</u>	<u>129,080</u>
Fund balances, end of year	<u>\$ 35,079</u>	<u>\$ -</u>	<u>\$ 110,502</u>

Debt Service Funds			
2010 Debt Retirement	2014 Refunding Bonds	2016 Refunding Bonds	Total
\$ 1,493,137	\$ -	\$ 51,494	\$ 2,043,205
-	-	-	47,901
-	-	-	684,301
<u>1,493,137</u>	<u>-</u>	<u>51,494</u>	<u>2,775,407</u>
-	-	-	309,366
-	-	-	217,236
-	-	-	639,988
-	-	-	16,240
1,325,000	445,000	-	1,803,913
69,800	791,450	-	862,262
-	-	70,373	70,373
-	-	-	36,308
<u>1,394,800</u>	<u>1,236,450</u>	<u>70,373</u>	<u>3,955,686</u>
<u>98,337</u>	<u>(1,236,450)</u>	<u>(18,879)</u>	<u>(1,180,279)</u>
-	-	7,228,634	7,228,634
-	903,275	-	909,359
-	-	(7,158,161)	(7,164,245)
<u>-</u>	<u>903,275</u>	<u>70,473</u>	<u>973,748</u>
98,337	(333,175)	51,594	(206,531)
-	333,175	-	502,043
<u>\$ 98,337</u>	<u>\$ -</u>	<u>\$ 51,594</u>	<u>\$ 295,512</u>

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Food Service Special Revenue Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 488,800	\$ 470,311	\$ 438,821	\$ (31,490)
State sources	48,590	49,787	47,901	(1,886)
Federal sources	630,000	633,200	684,301	51,101
Total revenues	1,167,390	1,153,298	1,171,023	17,725
Expenditures				
Current:				
Salaries	308,004	282,269	309,366	27,097
Fringe benefits	199,274	201,227	217,236	16,009
Food services	647,300	683,330	639,988	(43,342)
Capital outlay	9,300	1,550	919	(631)
Total expenditures	1,163,878	1,168,376	1,167,509	(867)
Change in fund balance	3,512	(15,078)	3,514	18,592
Fund balance, beginning of year	31,565	31,565	31,565	-
Fund balance, end of year	\$ 35,077	\$ 16,487	\$ 35,079	\$ 18,592

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds - Scholarships

June 30, 2016

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
Assets			
Cash and cash equivalents	\$ 55,819	\$ 238,380	\$ 294,199
Accrued interest receivable	1,762	3,036	4,798
Investments:			
Corporate bonds	137,169	221,226	358,395
Common stocks	415,621	842,711	1,258,332
Mutual funds	910,478	2,277,139	3,187,617
Real assets	133,164	277,297	410,461
Total assets (equal to net position restricted for scholarships)	\$ 1,654,013	\$ 3,859,789	\$ 5,513,802

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Changes in Fiduciary Net Position Private Purpose Trust Funds - Scholarships For the Year Ended June 30, 2016

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
Additions			
Contributions	\$ -	\$ 250,706	\$ 250,706
Investment income:			
Interest and dividends	48,878	109,034	157,912
Net decrease in fair value of investments	(53,710)	(111,786)	(165,496)
Net investment loss	(4,832)	(2,752)	(7,584)
Total additions	(4,832)	247,954	243,122
Deductions			
Scholarships and trophies	59,979	235,425	295,404
Trustee fees	7,951	22,355	30,306
Total deductions	67,930	257,780	325,710
Change in net position	(72,762)	(9,826)	(82,588)
Net position, beginning of year	1,726,775	3,869,615	5,596,390
Net position, end of year	\$ 1,654,013	\$ 3,859,789	\$ 5,513,802

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ESCANABA AREA PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Net Position (Unaudited)

Co-mingled Scholarships Fund
For the Year Ended June 30, 2016

	Net Position July 1, 2015	Additions			Total Additions
		Contributions	Interest and Dividends	Gain on Sale of Investments	
Investment accounts					
Abrahamson, Gary Sr. Athletic Award	\$ -	\$ 104,000	\$ -	\$ -	\$ 104,000
Abrahamson Family	116,209	-	3,464	(263)	(87)
Adamini, Peter Memorial	10,786	-	321	(24)	(8)
Aronson, Arthur V. & Elin C.	106,035	-	3,161	(240)	(79)
Beauchamp, Grace Huston	15,194	-	453	(34)	(11)
Beck, Conrad D.	8,713	-	260	(20)	(7)
Bennets, Jeanee	13,020	-	388	(29)	(9)
Berhow, Rona Rae Memorial	1,006	1,000	30	(2)	1,000
Berndt, Sherry	44,182	-	1,317	(100)	(33)
Bero, Willard & Joyce	56,002	-	1,669	(127)	(43)
Bonifas, Catherine	114,534	-	3,414	(259)	(86)
Bosk, Robert & Olga	54,444	-	1,623	(123)	(40)
Calouette, John A. Memorial	-	10,000	-	-	10,000
Class of 1963	1,009	-	30	(2)	(1)
Chernick, John Memorial	2,653	-	79	(6)	(2)
Class of 1959	22,684	2,733	676	(51)	2,716
Cohodas, Sam M.	9,295	-	277	(21)	(7)
Coplan Family Music	44,786	-	1,335	(101)	(33)
Coplan, BA Memorial	56,893	-	1,696	(129)	(43)
Cvengros, Jerry Memorial	5,688	-	170	(13)	(4)
Cunningham Family	9,619	-	287	(22)	(7)
Dagenais, Elmer & Phoebe	10,000	550	298	(23)	542
Diedrich, Louis	14,318	2,200	427	(32)	2,190
Derkos, Danny Memorial	10,000	-	298	(23)	(8)
Douyin, Dean	3,838	-	114	(9)	(4)
Dufour, Susan C. & Thomas D	7,613	-	227	(17)	(5)
Dunstone, Robert Memorial	4,100	-	122	(9)	(3)
Edick, Edward E.	11,364	-	339	(26)	(9)
Erickson/Breitenbach Wildlife	-	1,000	-	-	1,000
Escanaba Educational Trust	15,799	-	471	(36)	(12)
Fernstrom, Esther	9,551	-	285	(22)	(7)
Ferrari, Joan Hesse	10,614	1,000	316	(24)	992
Fontaine, Sally Stack	10,002	-	298	(23)	(8)
Fleming, Lawrence and Nina	16,260	-	485	(37)	(12)
Freidhoff, Steve Memorial	1,864	-	56	(4)	(1)
Gasman, John T.	1,189	-	35	(3)	(2)
Gessner, Charles H. Family	87,524	-	2,609	(198)	(65)
Gordon, Dr. E. James	269,750	-	8,040	(611)	(204)
Grab, George	31,683	-	944	(72)	(24)
Hansen, John Wesley Memorial	15,767	-	470	(36)	(12)
Haslow, Robert L. Memorial	5,250	-	156	(12)	(5)
Henslee, Forrest & Mary	24,657	-	735	(56)	(19)
Johnson, Bradley D.	67,076	804	1,999	(152)	753
Karkkainen, Melvin	2,724	1,000	81	(6)	998
Kirstin, Herbert & Irene	16,863	-	503	(38)	(12)
Klemmetsen/Rose Memorial	311,495	-	9,285	(705)	(234)
Koontz, John & Barbara Memorial	4,285	-	128	(10)	(3)
LaFave, Olive C.	32,750	-	976	(74)	(25)
Lemerand, Clarence & Della	386,384	-	11,517	(875)	(291)
Lindstrom, James	4,155	-	124	(9)	(3)
Louis, Frank B. & Mamie A.	144,920	-	4,320	(328)	(108)
McCotter, Delores	1,783	-	53	(4)	(1)
McDermott, Thomas Memorial	51,509	-	1,535	(117)	(39)

Deductions		Total Deductions	Adjustments	Change in Net Position	Net Position June 30, 2016	Accumulated Contributions to Fund	Remaining Balance
Scholarships and Trophies	Trustee Fees						
\$ 200	\$ -	\$ 200	\$ -	\$ 103,800	\$ 103,800	\$ 104,000	\$ (200)
8,075	711	8,786	-	(8,873)	107,336	120,000	(12,664)
500	66	566	-	(574)	10,212	8,510	1,702
4,500	648	5,148	-	(5,227)	100,808	80,325	20,483
650	93	743	-	(754)	14,440	10,000	4,440
400	53	453	-	(460)	8,253	4,040	4,213
550	80	630	-	(639)	12,381	11,898	483
1,000	6	1,006	-	(6)	1,000	3,000	(2,000)
1,900	270	2,170	-	(2,203)	41,979	31,376	10,603
2,400	342	2,742	-	(2,785)	53,217	40,000	13,217
4,125	700	4,825	-	(4,911)	109,623	50,000	59,623
1,100	333	1,433	-	(1,473)	52,971	44,500	8,471
-	-	-	-	10,000	10,000	10,000	-
500	6	506	-	(507)	502	1,500	(998)
100	16	116	-	(118)	2,535	2,200	335
1,000	143	1,143	-	1,573	24,257	22,418	1,839
400	57	457	-	(464)	8,831	5,186	3,645
2,250	274	2,524	-	(2,557)	42,229	25,000	17,229
-	347	347	-	(390)	56,503	56,856	(353)
-	35	35	-	(39)	5,649	5,665	(16)
400	59	459	-	(466)	9,153	6,100	3,053
-	61	61	-	481	10,481	10,550	(69)
625	87	712	-	1,478	15,796	13,600	2,196
-	61	61	-	(69)	9,931	10,000	(69)
-	23	23	-	(27)	3,811	2,104	1,707
325	46	371	-	(376)	7,237	5,170	2,067
-	25	25	-	(28)	4,072	4,100	(28)
500	69	569	-	(578)	10,786	5,507	5,279
-	-	-	-	1,000	1,000	1,000	-
650	96	746	-	(758)	15,041	11,603	3,438
400	58	458	-	(465)	9,086	4,226	4,860
450	65	515	-	477	11,091	8,695	2,396
300	61	361	-	(369)	9,633	10,300	(667)
700	99	799	-	(811)	15,449	10,000	5,449
100	11	111	-	(112)	1,752	1,941	(189)
100	7	107	-	(109)	1,080	1,115	(35)
3,800	535	4,335	-	(4,400)	83,124	64,963	18,161
5,700	1,648	7,348	-	(7,552)	262,198	218,131	44,067
675	194	869	-	(893)	30,790	20,000	10,790
700	96	796	-	(808)	14,959	11,250	3,709
-	32	32	-	(37)	5,213	5,250	(37)
1,000	151	1,151	-	(1,170)	23,487	25,171	(1,684)
2,250	413	2,663	-	(1,910)	65,166	49,607	15,559
1,000	21	1,021	-	(23)	2,701	7,000	(4,299)
700	103	803	-	(815)	16,048	10,000	6,048
11,150	1,903	13,053	-	(13,287)	298,208	232,350	65,858
200	26	226	-	(229)	4,056	1,455	2,601
-	200	200	-	(225)	32,525	20,000	12,525
13,367	2,360	15,727	-	(16,018)	370,366	300,741	69,625
25	25	50	-	(53)	4,102	4,100	2
7,100	885	7,985	-	(8,093)	136,827	89,945	46,882
100	11	111	-	(112)	1,671	1,500	171
2,100	315	2,415	-	(2,454)	49,055	46,420	2,635

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Net Position (Unaudited)

Co-mingled Scholarships Fund
For the Year Ended June 30, 2016

	Net Position July 1, 2015	Additions				Total Additions
		Contributions	Interest and Dividends	Gain on Sale of Investments	Increase in Fair Value of Investments	
Investment accounts						
McKie, Donald	\$ 27,856	\$ -	\$ 830	\$ (63)	\$ (788)	\$ (21)
McInerney, Dr. Thomas & Dr. Edna Memorial	68,452		2,040	(155)	(1,937)	(52)
Micensky, Robert	3,135	1,685	93	(7)	(89)	1,682
Milkiewicz, Stephen M.	5,476	-	163	(12)	(155)	(4)
Milkiewicz, Kim Ann	12,107	-	361	(27)	(343)	(9)
Molin, Jack and Class of 1944	38,580	-	1,150	(87)	(1,092)	(29)
Mroczkowski, Dale/ Fritolay	300	707	10	(1)	(6)	710
Nordberg, Carl A.	17,125	-	510	(39)	(485)	(14)
O'Donnell, Anne C.	30,560	-	911	(69)	(865)	(23)
Olson, Joanne Taylor	13,141	-	392	(30)	(372)	(10)
Owen, Robert A. & Ruth	34,059	-	1,015	(77)	(964)	(26)
Owens, Georgia Gibbs/ Irwin & Marge Gibbs	237,239	-	7,071	(537)	(6,713)	(179)
Peterson, Ken	1,995	-	59	(5)	(56)	(2)
Pfotenhauer/Gessner	13,349	-	398	(30)	(378)	(10)
Puckelwartz, William H.	30,910	-	921	(70)	(875)	(24)
Reade, H.W.	24,135	-	719	(55)	(683)	(19)
Ruwitch, George	36,059	-	1,075	(82)	(1,020)	(27)
Saykly, Josephine	11,764	-	351	(27)	(333)	(9)
Schram, Dick Memorial	13,984	-	417	(32)	(396)	(11)
St. Louis, Maria, George & Stanley	365,511	-	10,895	(828)	(10,342)	(275)
St. Pierre, Mary	4,138	803	123	(9)	(117)	800
Stein, Daniel	48,805	-	1,455	(110)	(1,381)	(36)
Taylor, Francis & Nancy	131,598	-	3,922	(298)	(3,724)	(100)
Taylor, Al Family	132,906	-	3,961	(301)	(3,761)	(101)
Taylor, Naomi Memorial	36,025	-	1,074	(82)	(1,019)	(27)
Timmer, Gene	3,503	-	104	(8)	(99)	(3)
VanEffen, William J.	7,650	-	228	(17)	(216)	(5)
Wylie, Henry	4,111	-	123	(9)	(116)	(2)
Young, A.J.	25,740	-	767	(58)	(728)	(19)
	<u>3,658,052</u>	<u>127,482</u>	<u>109,034</u>	<u>(8,282)</u>	<u>(103,504)</u>	<u>124,730</u>
Cash accounts						
Wickman/Addison, Ruth	5,136	4,646	-	-	-	4,646
Felton, Oliver	6,691	5,313	-	-	-	5,313
Hirn, Robert & Elva	167,248	68,611	-	-	-	68,611
Kintziger, Louis J.	8,517	799	-	-	-	799
Maki, Arnie & Violet	8,114	9,821	-	-	-	9,821
Sackerson, Edward J.	12,812	5,000	-	-	-	5,000
Miscellaneous contributions	3,045	29,034	-	-	-	29,034
	<u>211,563</u>	<u>123,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,224</u>
Total	<u>\$ 3,869,615</u>	<u>\$ 250,706</u>	<u>\$ 109,034</u>	<u>\$ (8,282)</u>	<u>\$ (103,504)</u>	<u>\$ 247,954</u>

Deductions								
Scholarships and Trophies	Trustee Fees	Total Deductions	Adjustments	Change in Net Position	Net Position June 30, 2016	Accumulated Contributions to Fund	Remaining Balance	
\$ 1,200	\$ 170	\$ 1,370	\$ -	\$ (1,391)	\$ 26,465	\$ 24,176	\$ 2,289	
750	418	1,168	-	(1,220)	67,232	50,000	17,232	
150	19	169	-	1,513	4,648	4,155	493	
225	33	258	-	(262)	5,214	8,500	(3,286)	
530	74	604	-	(613)	11,494	2,600	8,894	
700	236	936	-	(965)	37,615	29,644	7,971	
1,000	2	1,002	-	(292)	8	3,000	(2,992)	
750	105	855	-	(869)	16,256	11,562	4,694	
650	187	837	-	(860)	29,700	21,005	8,695	
575	80	655	-	(665)	12,476	10,000	2,476	
1,500	208	1,708	-	(1,734)	32,325	25,000	7,325	
5,200	1,449	6,649	-	(6,828)	230,411	153,755	76,656	
100	12	112	-	(114)	1,881	1,500	381	
430	82	512	-	(522)	12,827	10,000	2,827	
1,350	189	1,539	-	(1,563)	29,347	12,962	16,385	
1,050	147	1,197	-	(1,216)	22,919	10,150	12,769	
1,575	220	1,795	-	(1,822)	34,237	28,096	6,141	
500	72	572	-	(581)	11,183	10,000	1,183	
600	85	685	-	(696)	13,288	10,090	3,198	
5,600	2,232	7,832	-	(8,107)	357,404	234,975	122,429	
200	25	225	-	575	4,713	4,164	549	
2,100	298	2,398	-	(2,434)	46,371	35,000	11,371	
5,933	804	6,737	-	(6,837)	124,761	100,000	24,761	
3,900	812	4,712	-	(4,813)	128,093	100,000	28,093	
1,575	220	1,795	-	(1,822)	34,203	25,000	9,203	
180	21	201	-	(204)	3,299	2,814	485	
325	47	372	-	(377)	7,273	5,000	2,273	
180	25	205	-	(207)	3,904	2,708	1,196	
1,125	157	1,282	-	(1,301)	24,439	9,900	14,539	
<u>124,020</u>	<u>22,355</u>	<u>146,375</u>	<u>-</u>	<u>(21,645)</u>	<u>3,636,407</u>	<u>2,796,124</u>	<u>840,283</u>	
4,775	-	4,775	-	(129)	5,007	21,130	5,007	
6,667	-	6,667	-	(1,354)	5,337	17,338	5,337	
56,938	-	56,938	-	11,673	178,921	196,141	178,921	
3,625	-	3,625	-	(2,826)	5,691	12,612	5,691	
4,850	-	4,850	-	4,971	13,085	30,293	13,085	
5,000	-	5,000	-	-	12,812	15,000	12,812	
29,550	-	29,550	-	(516)	2,529	60,113	2,529	
<u>111,405</u>	<u>-</u>	<u>111,405</u>	<u>-</u>	<u>11,819</u>	<u>223,382</u>	<u>352,627</u>	<u>223,382</u>	
<u>\$ 235,425</u>	<u>\$ 22,355</u>	<u>\$ 257,780</u>	<u>\$ -</u>	<u>\$ (9,826)</u>	<u>\$ 3,859,789</u>	<u>\$ 3,148,751</u>	<u>\$ 1,063,665</u>	Concluded

ESCANABA AREA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Assets				
Cash and cash equivalents	\$ 111,914	\$ 425,236	\$ (407,714)	\$ 129,436
Liabilities				
Due to student activities	\$ 111,914	\$ 425,236	\$ (407,714)	\$ 129,436
The balances due to student activities consist of the following:				
Upper Elementary				
Interest	\$ 190	\$ 12	\$ 1	\$ 203
Parents as partners	18	-	-	18
Library fund	1,720	5,479	(6,474)	725
Music fund - band	(200)	-	-	(200)
Pop fund	(11)	502	(332)	159
Working account	426	807	(819)	414
Student council	31	-	-	31
4th grade	2,953	12,197	(12,599)	2,551
5th grade	486	2,399	(2,076)	809
Middle School 6-1	171	11,557	(11,072)	656
Middle School special ed	124	-	(99)	25
Drama	414	-	-	414
Total Upper Elementary	6,322	32,953	(33,470)	5,805
Elementary	7,008	1,612	(2,095)	6,525
Senior High Activities				
Publications	7,020	2,665	(2,446)	7,239
Activities	798	2,398	(2,858)	338
Prior Classes	11,696	-	1,993	13,689
Music	12,197	80,718	(75,786)	17,129
Clubs	21,285	50,589	(54,466)	17,408
General	7,934	116,976	(108,174)	16,736
Concessions	2,960	29,963	(25,914)	7,009
Total Senior High Activities	63,890	283,309	(267,651)	79,548

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Athletic Camps				
Boys basketball	\$ 2,852	\$ 12,233	\$ (8,604)	\$ 6,481
Cheerleading	2,626	3,798	(2,528)	3,896
Cross country	961	-	-	961
Football	4,450	21,177	(18,595)	7,032
Girls basketball	598	10,335	(7,067)	3,866
Golf	308	15,755	(12,631)	3,432
Boy's tennis	4,185	5,216	(9,156)	245
Girl's tennis	113	-	-	113
Boy's Track	830	1,055	(1,830)	55
Volleyball	528	720	(382)	866
Wrestling	572	-	-	572
Baseball	1,150	-	-	1,150
Girls softball	4,891	5,008	(9,297)	602
Girl's Track	973	645	(1,068)	550
Total Athletic Camps	25,037	75,942	(71,158)	29,821
Junior High Activities				
Interest	3	-	-	3
Student council	732	1,160	(1,064)	828
The Man's Club	-	400	-	400
Challenge day	1,561	-	-	1,561
Yearbook	1,562	2,860	(2,488)	1,934
Working account	93	796	(380)	509
Builders club	1,005	4,471	(4,748)	728
7th grade 7-1	166	-	-	166
8th grade 8-1	361	618	(519)	460
Concession	603	3,318	(3,307)	614
Band	3,571	17,797	(20,834)	534
Total Junior High Activities	9,657	31,420	(33,340)	7,737
Total	\$ 111,914	\$ 425,236	\$ (407,714)	\$ 129,436

Concluded

OTHER INFORMATION (UNAUDITED)

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Taxable Valuations, Tax Rates and Tax Levies (Unaudited)

For the Year Ended June 30, 2016

	Taxable Valuation	Per \$1,000 Valuation	Tax Levy
General Fund			
(on non-homestead taxable valuation only)			
City of Escanaba	\$156,347,042	6-18 mills	\$ 2,592,426
Wells Township (Delta County)	48,971,372	6-18 mills	700,830
Ford River Township	18,242,941	6-18 mills	321,004
Cornell Township	8,672,561	6-18 mills	151,544
Wells Township (Marquette County)	1,549,171	6-18 mills	27,700
Total General Fund	<u>\$233,783,087</u>	6-18 mills	<u>\$ 3,793,504</u>
2010 Debt Retirement Fund			
(on total taxable valuation)			
City of Escanaba	\$305,750,883	2.34 mills	\$ 715,457
Wells Township (Delta County)	238,930,111	2.34 mills	559,096
Ford River Township	63,359,248	2.34 mills	148,261
Cornell Township	21,864,917	2.34 mills	51,164
Wells Township (Marquette County)	2,186,778	2.34 mills	5,117
Total 2010 Debt Retirement Fund	<u>\$632,091,937</u>	2.34 mills	<u>\$ 1,479,095</u>
2001 Debt Retirement Fund			
(on total taxable valuation)			
City of Escanaba	\$305,750,883	2.41 mills	\$ 736,860
Wells Township (Delta County)	238,930,111	2.41 mills	575,822
Ford River Township	63,359,248	2.41 mills	152,696
Cornell Township	21,864,917	2.41 mills	52,694
Wells Township (Marquette County)	2,186,778	2.41 mills	5,270
Total 2001 Debt Retirement Fund	<u>\$632,091,937</u>	2.41 mills	<u>\$ 1,523,342</u>

SINGLE AUDIT ACT COMPLIANCE

Independent Auditors' Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

October 12, 2016

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Escanaba Area Public Schools* (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 12, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



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ESCANABA AREA PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
Cash assistance:				
National school lunch - breakfast	10.553	MDE	151970	\$ 95,064
National school lunch - breakfast	10.553	MDE	161970	97,210
National school lunch program section 11 all lunches	10.555	MDE	151960	469,631
National school lunch program section 11 all lunches	10.555	MDE	161960	431,031
Summer food service program - operating	10.559	MDE	150900	17,881
Summer food service program - operating	10.559	MDE	160900	6,956
Summer food service program - administrative	10.559	MDE	151900	1,328
Summer food service program - administrative	10.559	MDE	161900	455
Non-cash assistance:				
Entitlement commodities	10.555	MDE	n/a	76,089
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I, Part A Cluster:				
Title I, Part A - Improving Basic Programs	84.010	MDE	151530-1415	625,865
Title I, Part A - Improving Basic Programs	84.010	MDE	161530-1516	659,590
Title I, Part A - Improving Basic Programs	84.010	GLAS	151530-1415	4,730
Title I, Part A - Improving Basic Programs	84.010	GLAS	161530-1516	3,607
Indian Education 14/15	84.060A	Direct	n/a	40,076
Indian Education 15/16	84.060A	Direct	n/a	39,948
Title II, Part A - Improving Teacher Quality	84.367	MDE	150520-1415	259,601
Title II, Part A - Improving Teacher Quality	84.367	MDE	160520-1516	204,515
Title VI, Part B Rural and Low Income	84.358	MDE	150660-1415	46,788
Title VI, Part B Rural and Low Income	84.358	MDE	160660-1516	48,364
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Medicaid Cluster:				
Medicaid Outreach	93.778	DISD	n/a	4,904
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued Revenue June 30, 2015	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2016	Accrued (Unearned) Revenue June 30, 2016
\$ -	\$ 9,848	\$ 85,216	\$ 9,848	\$ -
-	97,210	-	97,210	-
-	51,395	418,236	51,395	-
-	431,031	-	431,031	-
4,963	17,881	4,963	12,918	-
-	6,956	-	4,526	(2,430)
519	1,328	519	809	-
-	455	-	474	19
-	76,089	-	76,089	-
5,482	692,193	508,934	684,300	(2,411)
58,682	69,979	592,756	11,297	-
-	583,979	-	616,585	32,606
4,730	4,730	4,730	-	-
-	3,607	-	3,607	-
63,412	662,295	597,486	631,489	32,606
9,862	9,862	40,076	-	-
-	34,507	-	38,948	4,441
9,862	44,369	40,076	38,948	4,441
40,132	61,310	220,595	18,750	-
-	107,030	-	104,373	(2,657)
40,132	168,340	220,595	123,123	(2,657)
15,920	16,310	45,030	390	-
-	19,101	-	26,971	7,870
15,920	35,411	45,030	27,361	7,870
129,326	910,415	903,187	820,921	42,260
-	4,904	-	4,904	-
\$ 134,808	\$ 1,607,512	\$ 1,412,121	\$ 1,510,125	\$ 39,849

continued...

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

RECONCILIATION TO GRANT SECTION AUDITORS' REPORT

Current payments per the Grant Auditor Report	\$ 1,498,713
Less:	
State funded Technology Readiness Infrastructure Grant (TRIG)	(24,900)
Plus:	
Medicaid Outreach	4,904
Title I amounts passed through Gladstone Area Public School District	8,337
Entitlement and bonus commodities	76,089
Direct award from Department of Education	<u>44,369</u>
Total current year receipts per schedule of expenditures of federal awards	<u>\$ 1,607,512</u>
	Concluded

ESCANABA AREA PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Escanaba Area Public Schools (the "District") under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities. Spoilage and pilferage are included in expenditure amounts reported.

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

3. PASS-THROUGH AGENCIES

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

Pass-through Agency Abbreviation	Pass-through Agency Name
DISD	Delta-Schoolcraft Intermediate School District
GLAS	Gladstone Area Public School District
MDE	Michigan Department of Education



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Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

October 12, 2016

Board of Education
Escanaba Area Public Schools
Escanaba, MI

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Escanaba Area Public Schools* (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 12, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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

Purpose of this Report

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

Rehmann Lobson LLC

Independent Auditors' Report on Compliance for Each Major Federal Program
and Internal Control over Compliance Required by the Uniform Guidance

October 12, 2016

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of *Escanaba Area Public Schools* (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Independent Auditors' Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

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

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

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

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

Identification of a major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
84.010	Title 1	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings noted.

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

ESCANABA AREA PUBLIC SCHOOLS

■ Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2016

Finding 2015-001 - Recording, processing and summarizing data.

Management lacked internal controls over recording, processing and summarizing accounting data. This finding was corrected.

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