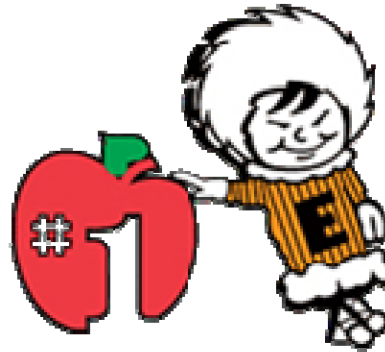


Escanaba Area
Public Schools



Year Ended
June 30, 2017

Financial
Statements and
Single Audit Act
Compliance

ESCANABA AREA PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 18, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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, 2017, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefits 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 and the schedule of taxable valuations, tax rates and tax levies are presented for purposes of additional analysis and are not a required part of the basic financial

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are 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 an assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, 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.

Rehmann Lobson LLC

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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, 2017. 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 financial 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)

Single Audit Compliance

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 or paid.

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. 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.. 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
	2017	2016	
Assets			
Current and other assets	\$ 7,772,517	\$ 6,112,556	27.16%
Capital assets, net	34,171,839	35,202,208	-2.93%
Total assets	41,944,356	41,314,764	1.52%
Deferred outflows of resources			
Deferred loss on bond refunding	913,565	1,012,648	-9.78%
Deferred pension amounts	6,063,486	5,110,747	18.64%
Total deferred outflows of resources	6,977,051	6,123,395	13.94%
Liabilities			
Long-term liabilities	27,271,478	29,213,106	-6.65%
Other liabilities	40,988,520	38,690,690	5.94%
Total liabilities	68,259,998	67,903,796	0.52%
Deferred inflows of resources			
Deferred pension amounts	173,712	113,002	100.00%
Net position			
Net investment in capital assets	9,104,782	8,196,378	11.08%
Restricted for:			
Capital projects	141,142	110,502	27.73%
Debt service	787,309	519,284	51.61%
Food service	34,780	35,079	-0.85%
Unrestricted (deficit)	(29,580,316)	(29,439,882)	0.48%
Total net position	\$ (19,512,303)	\$ (20,578,639)	5.18%

Summary of Net Position

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 \$52,249,000 and \$52,542,000 for June 30, 2017 and 2016, 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 as the original cost of the assets, less any estimated salvage value, expensed over the estimated useful life of the assets. Total accumulated depreciation was approximately \$18,077,000 and \$17,340,000 on June 30, 2017 and 2016, respectively. Total debt related to capital assets is approximately \$25,981,000 and \$28,018,000 for 2017 and 2016, respectively.

Restricted net position for capital projects, debt service, and food service are by their nature restricted for use by laws or regulations of the State of Michigan. These balances totaled approximately \$141,000, \$787,000, and \$35,000, respectively for 2017, and approximately \$111,000, \$519,000, and \$35,000 for capital projects, debt service and food service, respectively, for 2016.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

The remaining deficit is approximately \$29,580,000 and \$29,440,000 for 2017 and 2016, respectively.

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 years ended June 30, 2017 and 2016 is as follows:

	Change in Net Position		
	District-Wide Activities		Percent Change
	2017	2016	
Program revenues			
Charges for services - local	\$ 596,611	\$ 572,256	4.26%
Operating grants - federal, state, and local	2,462,821	2,400,342	2.60%
Total program revenues	3,059,432	2,972,598	2.92%
General revenues			
Property taxes - operations	3,870,144	3,778,784	2.42%
Property taxes - debt retirement	2,530,355	3,030,032	-16.49%
State of Michigan aid - unrestricted	13,896,776	13,524,741	2.75%
State of Michigan aid - restricted	3,644,406	3,303,224	10.33%
Other	358,264	219,907	62.92%
Total general revenues	24,299,945	23,856,688	1.86%
Total revenues	27,359,377	26,829,286	1.98%
Expenses			
Instruction	15,093,152	15,536,837	-2.86%
Supporting services	7,836,308	8,119,730	-3.49%
Community services	48,355	49,567	-2.45%
Food services	1,214,703	1,175,766	3.31%
Interest on long-term debt	947,146	1,386,628	-31.69%
Unallocated depreciation	1,153,377	1,178,253	-2.11%
Total expenses	26,293,041	27,446,781	-4.20%
Change in net position	1,066,336	(617,495)	-272.69%
Net position (deficit), beginning of year	(20,578,639)	(19,961,144)	-3.09%
Net position (deficit), end of year	\$ (19,512,303)	\$ (20,578,639)	5.18%

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Of the 2017 total revenues available to operate the District, 2.18% or approximately \$597,000 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 9.00% or approximately \$2,463,000.

The State foundation allowance accounted for 64.11% or approximately \$17,541,000 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 23.40% or approximately \$6,400,000 of the revenue available. Of the total property tax revenues reported, approximately \$3,870,000 was allocated to operations and approximately \$2,530,000 was allocated to debt retirements. Other revenues accounted for 1.31% of available revenues or \$358,000.

The expense portion of the table on the previous page shows the financial support of each functional area required during the year. Expenses decreased from the prior fiscal year by approximately \$1.2 million or 4.20%. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$15,093,000 or 57.04% of total expenses. Support services costs are approximately \$7,836,000 or 29.80% 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 increased by approximately \$757,000 from the prior year. The General Fund balance increased approximately \$596,000 which accounted for a majority of the increase 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. All three budget amendments positively affected the projected ending fund balance in the amounts of \$26,661, \$159,921, and \$66,926, respectively. The major reasons for the projected increases in fund balance were cost savings as a result of negotiations subsequent to the beginning of the school year, employee changes in health care plans, and an increase in special education funding.

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
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)
2016-2017	23,037,020	22,441,091	1,466,169	2,363	(40)

In General Fund operations, the actual revenue was approximately \$23,037,000. This is above the original budgeted revenues of approximately \$22,377,000 and below the final amended budgeted revenues of approximately \$23,164,000, a variance of approximately -0.55%. The actual expenditures of the General Fund operations were approximately \$22,441,000. This is below the original budget of approximately \$22,457,000 and below the final budget of approximately \$22,937,000, a variance of approximately -2.16%.

The major reasons for actual revenue exceeding the originally budgeted revenue is a result of actual student enrollment being greater than conservatively budgeted; significant insurance proceeds collected as a result of an unanticipated flood claim; and a significant increase in special education funding. Actual revenue being below final budgeted revenue was mainly due to the amount of unearned revenues and grant awards carried forward for use after June 30, 2017. Actual expenditures were comparable with the original budget, but eventually fell below the final budgeted expenditures as a result of insurance proceeds and grant awards being carried forward for use into the next school year; less than expected dual enrollment costs; along with many other cost saving efficiencies experienced throughout the fiscal year.

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	\$ 22,441,091	84%
Nonmajor governmental funds	4,161,438	16%
Total	\$ 26,602,529	100%

Revenues for all governmental funds totaled approximately \$27,360,000. Below is a summary of the governmental fund revenues by source and their percentages of total governmental funds:

	Revenues	Percentage
Local sources	\$ 7,578,092	29%
State sources	17,588,849	63%
Federal sources	1,629,117	6%
Other	563,321	2%
Total	\$ 27,359,379	100%

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

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 2,363 and 2,403 for fiscal 2017 and 2016, respectively. Despite this decline in the state aid membership count, State revenues to the District have increased by approximately \$870,000 from the previous year due to increases in categorical restricted state revenues such as 147c MPERS UAAL Rate Stabilization, 51c Special Education Headlee Obligation funding and current year reclassification of State payments in lieu of taxes reported as local sources in prior periods.

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 2017 non-homestead and personal property tax levies totaled approximately \$3,867,000.

The District levied 4.60 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 2017 was approximately \$2,465,000.

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. Title I, and Title II and At Risk programs assist students who are deemed to be at risk in the instructional process. For fiscal 2017, the District expended approximately \$597,000, \$229,000 and \$599,000 for the Title I, Title II and At Risk programs, respectively.

Enrollment

The District's 2016-2017 blended enrollment totaled 2,363, which is a decrease of 40 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 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.

Capital Assets and Debt Administration

Capital Assets. At the end of fiscal 2017, the School District had approximately \$52,249,000 invested in land and building, machinery and equipment, vehicles and buses. Of this amount approximately \$18,077,000 has been depreciated. Net book value totals approximately \$34,172,000. The years of construction of the District buildings and improvements ranges from 1931 to 2017. 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 rent and 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.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Outstanding Debt at Year End

Long-term Debt. As of June 30, 2017, the District had \$24,095,000 in bonds outstanding from capital projects and \$172,000 in installment purchase agreements outstanding. The District collects property taxes to retire their bonded debt. 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.

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 2018 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 2016-2017, the blended count declined to 2,363 students. This was a reduction of 40 students in one year, and equates to approximately \$300,400 less in state foundation allowance. Enrollment is expected to continue to decline into the 2017-2018 school year as the Upper Peninsula of Michigan's employment opportunities continue to be limited. The 2018 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 2018 budget. The Board of Education achieved a balanced adopted budget for the fiscal year 2017-2018. 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.

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.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

ESCANABA AREA PUBLIC SCHOOLS

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,368,351
Receivables	3,330,612
Inventories	71,257
Post employment benefit asset	2,297
Capital assets not being depreciated	720,597
Capital assets being depreciated, net	<u>33,451,242</u>
Total assets	<u>41,944,356</u>
Deferred outflows of resources	
Deferred loss on bond refunding	913,565
Deferred pension amounts	<u>6,063,486</u>
Total deferred outflows of resources	<u>6,977,051</u>
Liabilities	
Accounts payable and accrued liabilities	2,607,658
Unearned revenue	148,829
State aid anticipation notes payable	2,584,333
Long-term liabilities:	
Due within one year	2,215,368
Due in more than one year	25,056,110
Net pension liability	<u>35,647,700</u>
Total liabilities	<u>68,259,998</u>
Deferred inflows of resources	
Deferred pension amounts	<u>173,712</u>
Net position	
Net investment in capital assets	9,104,782
Restricted for:	
Capital projects	141,142
Debt service	787,309
Food service	34,780
Unrestricted (deficit)	<u>(29,580,316)</u>
Total net position	<u>\$ (19,512,303)</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, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 15,093,152	\$ -	\$ 1,493,608	\$ (13,599,544)
Supporting services	7,836,308	145,530	222,716	(7,468,062)
Community services	48,355	-	-	(48,355)
Food services	1,214,703	451,081	746,497	(17,125)
Interest on long-term debt	947,146	-	-	(947,146)
Unallocated depreciation	1,153,377	-	-	(1,153,377)
Total	\$ 26,293,041	\$ 596,611	\$ 2,462,821	(23,233,609)
General revenues:				
Property taxes - operations				3,870,144
Property taxes - debt retirement				2,530,355
State of Michigan aid - unrestricted				13,896,776
State of Michigan aid - restricted				3,644,406
Other				358,264
Total general revenues				24,299,945
Change in net position				1,066,336
Net position, beginning of year				(20,578,639)
Net position, end of year				\$ (19,512,303)

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, 2017

	General Fund	2001 Debt Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,160,719	\$ 387,577	\$ 820,055	\$ 4,368,351
Accounts receivable	189,475	-	25,849	215,324
Due from other funds	-	-	5,207	5,207
Due from other governmental units	3,115,288	-	-	3,115,288
Other assets	30,266	-	40,991	71,257
Total assets	\$ 6,495,748	\$ 387,577	\$ 892,102	\$ 7,775,427
Liabilities				
Accounts payable	\$ 67,328	\$ -	\$ 44,270	\$ 111,598
Salaries payable	1,187,916	-	-	1,187,916
Due to other funds	5,207	-	-	5,207
Accrued liabilities	1,121,750	-	15,819	1,137,569
Unearned revenues	63,045	-	85,784	148,829
State aid anticipation notes payable	2,584,333	-	-	2,584,333
Total liabilities	5,029,579	-	145,873	5,175,452
Fund balances				
Nonspendable for inventories and prepaid items	30,266	-	40,991	71,257
Restricted:				
Debt service	-	387,577	570,307	957,884
Assigned:				
Capital projects	-	-	141,142	141,142
Unassigned (deficit)	1,435,903	-	(6,211)	1,429,692
Total fund balances	1,466,169	387,577	746,229	2,599,975
Total liabilities and fund balances	\$ 6,495,748	\$ 387,577	\$ 892,102	\$ 7,775,427

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, 2017

Fund balances - total governmental funds	\$ 2,599,975
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 funds.	
Capital assets not being depreciated	720,597
Capital assets being depreciated, net	33,451,242
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	(24,267,000)
Unamortized deferred charge on bond refunding	913,565
Unamortized bond premiums, net	(1,713,622)
Accrued interest on bonds payable	(170,575)
Compensated absences	(1,290,856)
Net other postemployment benefit asset	2,297
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	(35,647,700)
Deferred outflows related to the net pension liability	6,063,486
Deferred inflows related to the net pension liability	(173,712)
Net position of governmental activities	<u>\$ (19,512,303)</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, 2017

	General Fund	2001 Debt Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 4,461,837	\$ 1,501,435	\$ 1,614,820	\$ 7,578,092
State sources	17,081,575	272,777	234,497	17,588,849
Federal sources	930,287	-	698,830	1,629,117
Other sources	563,321	-	-	563,321
Total revenues	23,037,020	1,774,212	2,548,147	27,359,379
Expenditures				
Current:				
Instructional services	14,536,249	-	-	14,536,249
Supporting services	7,726,937	-	-	7,726,937
Community services	46,851	-	-	46,851
Food services	-	-	1,198,076	1,198,076
Debt service:				
Principal	76,570	-	1,730,000	1,806,570
Interest and fiscal charges	54,484	-	1,162,312	1,216,796
Capital outlay	-	-	71,050	71,050
Total expenditures	22,441,091	-	4,161,438	26,602,529
Revenues over (under) expenditures	595,929	1,774,212	(1,613,291)	756,850
Other financing sources (uses)				
Transfers in	-	-	2,238,738	2,238,738
Transfers out	-	(2,064,008)	(174,730)	(2,238,738)
Total other financing sources (uses)	-	(2,064,008)	2,064,008	-
Net changes in fund balances	595,929	(289,796)	450,717	756,850
Fund balances, beginning of year	870,240	677,373	295,512	1,843,125
Fund balances, end of year	\$ 1,466,169	\$ 387,577	\$ 746,229	\$ 2,599,975

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, 2017

Net change in fund balances - total governmental funds \$ 756,850

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	126,174
Depreciation expense	(1,153,377)
Loss on disposal of capital assets	(3,166)

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.

Principal payments on long-term debt	1,806,570
Amortization of deferred loss on bond refunding	(99,083)
Amortization of deferred issuance bond premium	231,286

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 accrued interest payable on long-term debt	137,445
Change in accrual for compensated absences	(96,228)
Change in net pension liability and related deferred amounts	(639,840)
Change in net other postemployment benefit obligation	(295)

Change in net position of governmental activities	<u>\$ 1,066,336</u>
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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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 4,267,556	\$ 4,514,109	\$ 4,461,837	\$ (52,272)
State sources	16,800,479	17,106,894	17,081,575	(25,319)
Federal sources	910,408	1,017,943	930,287	(87,656)
Other sources	398,600	524,964	563,321	38,357
Total revenues	22,377,043	23,163,910	23,037,020	(126,890)
Expenditures				
Current:				
Instructional services	14,929,543	14,725,950	14,536,249	(189,701)
Supporting services:				
Instructional support services	2,380,512	2,644,831	2,546,930	(97,901)
Office of the principal	1,235,043	1,255,747	1,251,228	(4,519)
District support services	845,903	839,143	773,180	(65,963)
Operations and maintenance	1,331,749	1,629,770	1,555,278	(74,492)
Pupil transportation	1,176,153	1,195,662	1,172,964	(22,698)
Athletics	389,052	447,522	427,357	(20,165)
Community services	48,330	61,274	46,851	(14,423)
Debt service:				
Principal	76,570	76,570	76,570	-
Interest and fiscal charges	44,188	60,595	54,484	(6,111)
Total expenditures	22,457,043	22,937,063	22,441,091	(495,972)
Revenues over (under) expenditures	(80,000)	226,846	595,929	369,083
Other financing sources (uses)				
Transfers in	80,000	-	-	-
Net change in fund balance	-	226,846	595,929	369,083
Fund balance, beginning of year	870,240	870,240	870,240	-
Fund balance, end of year	\$ 870,240	\$ 1,097,086	\$ 1,466,169	\$ 369,083

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Private Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents	\$ 521,991	\$ 166,186
Accrued interest	5,164	-
Investments - at fair value:		
Corporate bonds	345,048	-
Common stocks	1,519,988	-
Mutual funds	3,207,499	-
Real assets	375,937	-
Total investments	<u>5,448,472</u>	<u>-</u>
Total assets	<u>\$ 5,975,627</u>	<u>\$ 166,186</u>
Liabilities		
Accounts payable	-	\$ 355
Due to student groups	-	165,831
Total liabilities	<u>-</u>	<u>\$ 166,186</u>
Net position restricted for scholarships	<u>\$ 5,975,627</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, 2017

	Private Purpose Trusts
Additions	
Contributions	\$ 204,591
Investment income:	
Interest and dividends	144,941
Net increase in fair value of investments	<u>517,424</u>
Total investment income	<u>662,365</u>
Total additions	<u>866,956</u>
Deductions	
Scholarships and trophies	371,447
Trustee fees	33,599
Other	<u>85</u>
Total deductions	<u>405,131</u>
Change in net position	461,825
Net position, beginning of year	<u>5,513,802</u>
Net position, end of year	<u><u>\$ 5,975,627</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, 2017.

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 the 2014 and 2016 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 *Debt Service Funds* are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

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 and 2) operating 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.

Other assets

Other assets consists of inventories which are valued at cost (first-in, first-out) and prepaid items. 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. Prepaid items represent disbursements to vendors in the current period that benefit operations in subsequent periods. Reported inventories and prepaid items 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 acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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. An unamortized deferred charge on bond 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 amounts related to the MPSERS pension plan.

Salaries payable and other accrued liabilities

Salaries payable is recorded at June 30, 2017 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.

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.

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.

Property Taxes

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2016 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

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 74% of the District's general fund revenue during the 2017 fiscal year.

3. DEFICIT NET POSITION

Governmental activities reported a deficit in unrestricted net position in the amount of \$29,580,316 at June 30, 2017. Total net position amounted to a deficit of \$19,512,203.

4. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP") 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 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.

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, 2017 expenditures were not in excess of budgeted amounts.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

5. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2017:

	Totals
Governmental Activities	
Cash and cash equivalents	\$ 4,368,351
Fiduciary Funds	
Private Purpose Trusts:	
Cash and cash equivalents	521,991
Investments	5,448,472
Agency Funds:	
Cash and cash equivalents	<u>166,186</u>
Total	<u><u>\$ 10,505,000</u></u>
Deposits and investments	
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 5,056,328
Investments:	
Corporate bonds	345,048
Common stocks	1,519,988
Mutual funds	3,207,499
Real assets	375,937
Cash on hand	<u>200</u>
Total	<u><u>\$ 10,505,000</u></u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$4,591,676 of the District's bank balance of \$5,024,282 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.

ESCANABA AREA PUBLIC SCHOOLS

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. 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, 2017.

Not rated	\$ 5,103,424
S&P A	106,302
S&P AA	212,961
S&P BBB	<u>25,785</u>
 Total	 <u><u>\$ 5,448,472</u></u>

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 the concentration of credit risk. All investments held at year-end are reported above.

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	\$ 5,103,424
1 - 5 Years	<u>345,048</u>
 Total	 <u><u>\$ 5,448,472</u></u>

Fair Value - The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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.

At June 30, 2017, the District categorized its fair value measurements of investments within the fair value hierarchy as follows:

Investment Type	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 3,207,499	\$ -	\$ -	\$ 3,207,499
Common stocks	1,519,988	-	-	1,519,988
Real assets funds	-	-	375,937	375,937
Corporate obligations	<u>345,048</u>	-	-	<u>345,048</u>
 Total investments at fair value	 <u><u>\$ 5,072,535</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 375,937</u></u>	 <u><u>\$ 5,448,472</u></u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The District's level one investments are valued using quoted prices in active markets for identical assets. The level 3 investments are valued using significant unobservable inputs. The District has made no changes to its valuation techniques during fiscal 2017.

6. RECEIVABLES

Receivables are 94% due from other governments and 6% due from customers.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are 4% due to vendors, 85% payroll and related liabilities and 11% accrued interest.

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, 2017, the Food Service Fund had an outstanding receivable from the General Fund for \$5,207.

For the year ended June 30, 2017, interfund transfers consisted of the following:

Transfers Out	Transfers In	
	Purpose	Nonmajor Governmental Funds
2001 Debt Retirement	Debt service	\$ 2,002,795
Nonmajor governmental funds	Debt service	<u>174,730</u>
Total		<u><u>\$ 2,177,525</u></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 Funds 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, 2017, the 2001 and 2010 Debt Retirement Funds transferred \$2,177,525 to the 2014 and 2016 Refunding Bonds Funds.

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Notes to Financial Statements

9. CAPITAL ASSETS

Capital assets activity was as follows for the year ended June 30, 2017:

	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	47,393,088	74,761	-	-	47,467,849
Machinery and equipment	2,624,388	51,413	(313,994)	-	2,361,807
Vehicles and buses	1,804,155	-	(105,145)	-	1,699,010
	<u>51,821,631</u>	<u>126,174</u>	<u>(419,139)</u>	<u>-</u>	<u>51,528,666</u>
Less accumulated depreciation for:					
Buildings and improvements	(14,124,780)	(885,542)	-	-	(15,010,322)
Machinery and equipment	(1,753,663)	(181,622)	310,828	-	(1,624,457)
Vehicles and buses	(1,461,577)	(86,213)	105,145	-	(1,442,645)
	<u>(17,340,020)</u>	<u>(1,153,377)</u>	<u>415,973</u>	<u>-</u>	<u>(18,077,424)</u>
Total capital assets being depreciated, net	<u>34,481,611</u>	<u>(1,027,203)</u>	<u>(3,166)</u>	<u>-</u>	<u>33,451,242</u>
Governmental activities capital assets, net	<u>\$ 35,202,208</u>	<u>\$ (1,027,203)</u>	<u>\$ (3,166)</u>	<u>\$ -</u>	<u>\$ 34,171,839</u>

Depreciation expense of \$1,153,377 is reported as unallocated in the statement of activities.

ESCANABA AREA PUBLIC SCHOOLS

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, 2017 was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
State aid anticipation notes payable	\$ 1,735,983	\$ 4,800,000	\$ (3,951,650)	\$ 2,584,333

The balance at June 30, 2017 includes accrued interest of \$24,333.

The notes which carry interest rates ranging from 0.8565% to 1.1964%, are repaid annually as a reduction of state aid with the remaining outstanding balance repaid in July and August.

11. LONG-TERM DEBT

Long-term debt activity of the District for the year ending June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
General obligation bonds	\$ 25,825,000	\$ -	\$ (1,730,000)	\$ 24,095,000	\$ 1,795,000
Installment purchase agreements	248,570	-	(76,570)	172,000	73,000
Total installment debt	26,073,570	-	(1,806,570)	24,267,000	1,868,000
Bond premium	1,944,908	-	(231,286)	1,713,622	231,286
Accrued compensated absences	1,194,628	239,071	(142,843)	1,290,856	116,082
Total	\$ 29,213,106	\$ 239,071	\$ (2,180,699)	\$ 27,271,478	\$ 2,215,368

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 before eligibility is met 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, 2017, includes the following:

General Obligation Bonds

\$19,685,000, 2014 refunding unlimited tax bonds, due in annual installments ranging from \$410,000 to \$1,800,000 with final payment due May 1, 2030. Interest is paid semi-annually at rates varying from 3.25% to 5.00%.

\$ 18,245,000

\$6,565,000, 2016 refunding bonds, due in annual installments ranging from \$715,000 to \$1,525,000 with final payment due on May 1, 2021. Interest is paid semi-annually at rates varying from 3.00% to 5.00%.

5,850,000

Total general obligation bonds

\$ 24,095,000

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%.

\$ 34,000

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

6,000

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

132,000

Total installment purchase agreements

\$ 172,000

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 did a current refunding in the amount of \$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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Other Long-term liabilities

Early retirement incentive/compensated absences

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, 2017, 45 retirees were receiving or eligible to begin receiving the early retirement incentive, with \$352,500 being paid to these individuals during 2017. The total early retirement incentive liability at June 30, 2017 was \$113,700. 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, 2017 was \$1,290,856.

The estimated debt service requirements on bonded debt for principal and interest to maturity as of June 30, 2017 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 1,795,000	\$ 1,023,450	\$ 2,818,450
2019	1,870,000	951,650	2,821,650
2020	1,950,000	872,550	2,822,550
2021	2,045,000	775,050	2,820,050
2022	1,775,000	672,800	2,447,800
2023-2027	9,200,000	2,062,650	11,262,650
2028-2030	5,460,000	360,350	5,820,350
Total	\$ 24,095,000	\$ 6,718,500	\$ 30,813,500

The estimated debt service requirements on installment purchase agreements for principal and interest to maturity as of June 30, 2017 are as follows:

Year Ending June 30,	Installment Purchase Agreements		
	Principal	Interest	Total
2018	\$ 73,000	\$ 2,786	\$ 75,786
2019	33,000	1,435	34,435
2020	33,000	957	33,957
2021	33,000	479	33,479
Total	\$ 172,000	\$ 5,657	\$ 177,657

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Notes to Financial Statements

The debt service requirements for accrued compensated absences are dependent upon future employee retirements and terminations. Thus, future payments are unknown at June 30, 2017. 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.

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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

The table below summarizes pension contribution rates in effect for fiscal year 2017:

Benefit Structure	Member Rates	Employer Rates
Basic	0.0% - 4.0%	18.95% - 19.03%
Member Investment Plan (MIP)	3.0% - 7.0%	18.95% - 19.03%
Pension Plus	3.0% - 6.4%	17.73% - 18.40%
Defined Contribution	0.0%	14.56% - 15.27%

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2017 was \$3,244,186.

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

At June 30, 2017, the District reported a liability of \$35,647,700 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, the District's proportion was 0.14288%, which was an increase of 0.00321% from its proportion measured as of September 30, 2015.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2017, the District recognized pension expense of \$3,844,281. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 444,264	\$ 84,486	\$ 359,778
Changes in assumptions	557,324	-	557,324
Net difference between projected and actual earnings on pension plan investments	592,464	-	592,464
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,429,709	89,226	1,340,483
	<u>3,023,761</u>	<u>173,712</u>	<u>2,850,049</u>
District contributions subsequent to the measurement date	3,039,725	-	3,039,725
	<u>3,039,725</u>	<u>-</u>	<u>3,039,725</u>
Total	<u><u>\$ 6,063,486</u></u>	<u><u>\$ 173,712</u></u>	<u><u>\$ 5,889,774</u></u>

Deferred outflows of resources of \$3,039,725 related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts 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
2018	\$ 727,334
2019	680,734
2020	1,216,894
2021	<u>225,087</u>
Total	<u><u>\$ 2,850,049</u></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, 2015 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)	7.0%
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, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.

ESCANABA AREA PUBLIC SCHOOLS

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, 2016, 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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 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	\$ 45,905,262	\$ 35,647,700	\$ 26,999,585

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, 2017, the District reported a payable of \$436,518 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2017.

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 prefunded 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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The District's contributions to MPSERS for other postemployment benefits amounted to \$1,053,855 for the year ended June 30, 2017.

13. OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

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, 2017, the District contributed \$39,604 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 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.

Membership of the Plan consisted of the following at June 30, 2017, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	132
Active plan members	<u>144</u>
Total	<u><u>276</u></u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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) as of and for the year ended June 30, 2017:

Annual required contribution	\$ 39,717
Interest on net OPEB asset	(80)
Adjustment to annual required contribution	<u>262</u>
Net OPEB cost (expense)	39,899
Contributions made	<u>(39,604)</u>
Decrease in net OPEB asset	295
Net OPEB asset, beginning of year	<u>(2,592)</u>
Net OPEB asset, end of year	<u><u>\$ (2,297)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation asset for fiscal 2017 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)
2015	\$ 37,757	110%	\$ 965
2016	37,102	110%	(2,592)
2017	39,899	99%	(2,297)

Funded Status and Funding Progress. As of June 30, 2017, the most recent actuarial date, the accrued liability for benefits was \$305,326, 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 Annual Required Contribution ("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 trends. 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.

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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 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:

Actuarial cost method	Projected unit credit
Wage inflation rate	0% per annum - premium has both increased and decreased over time
Investment rate of return	N/A - plan is not funded
Salary Scale	N/A - for projected unit credit (1.48% for EAN, level %)
Mortality	
Pre-retirement	Internal Revenue Service 2017 Non-annuitant (sex distinct)
Post-retirement	Internal Revenue Service 2017 Annuitant (sex distinct)

14. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	2001 Debt Retirement	Nonmajor Governmental Funds	Total
Nonspendable				
Inventory	\$ -	\$ -	\$ 40,991	\$ 40,991
Restricted				
Debt service	-	387,577	570,307	957,884
Assigned				
Capital projects	-	-	141,142	141,142
Unassigned (deficit)	1,435,903	-	(6,211)	1,429,692
Total fund balances governmental funds	\$ 1,435,903	\$ 387,577	\$ 746,229	\$ 2,569,709

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Notes to Financial Statements

15. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2017, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 720,597
Capital assets being depreciated, net	<u>33,451,242</u>
	<u>34,171,839</u>
Related debt:	
Bonds and installment purchase agreements	(24,267,000)
Premiums on bonds payable	(1,713,622)
Deferred charge on bond refunding	<u>913,565</u>
	<u>(25,067,057)</u>
Net investment in capital assets	<u><u>\$ 9,104,782</u></u>

16. COMMITMENTS AND CONTINGENCIES

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.

Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for 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, 2017.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

17. SUBSEQUENT EVENTS

State Anticipation Note Commitment

In August 2017, the District borrowed \$3,995,000 on state aid anticipation notes with effective interest charged from 1.2710% to 1.4836% maturing in July and August 2018.

Other Commitment

Subsequent to year end, the District entered into an installment purchase agreement for the purchase of two school buses with Northern Michigan Bank & Trust for \$188,724, payable in annual installments of \$39,980 plus interest accruing at 1.95% per annum, maturing on July 1, 2022.

Change in Discount Rate - MPSERS Pension Plan

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools Employees' Retirement System's Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8% to 7.5% effective for the fiscal year 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computed employer contributions and the net pension liability will increase as a result of lowering the assumed investment rate of return.

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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	2016	2017
District's proportionate share of the net pension liability	\$ 29,492,376	\$ 34,115,831	\$ 35,647,700
District's proportion of the net pension liability	0.13389%	0.13968%	0.14288%
District's covered payroll	\$ 12,089,451	\$ 12,316,387	\$ 12,196,742
District's proportionate share of the net pension liability as a percentage of its covered payroll	243.95%	277.00%	292.27%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%	63.27%

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 MPERS Cost-Sharing Multiple-Employer Plan

Schedule of District Contributions

	Year Ended June 30,		
	2015	2016	2017
Contractually required contribution	\$ 3,140,498	\$ 3,271,804	\$ 3,244,186
Contributions in relation to the contractually required contribution	<u>(3,140,498)</u>	<u>(3,271,804)</u>	<u>(3,244,186)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,406,912	\$ 12,667,478	\$ 12,002,957
Contributions as a percentage of covered payroll	25.31%	25.83%	27.03%

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
2015	\$ 38,113	113.6%
2016	37,376	108.8%
2017	39,717	99.7%

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)
6/30/2010	\$ -	\$ 503,040	\$ 503,040	-%	N/A	N/A
6/30/2014	-	336,777	336,777	-	N/A	N/A
6/30/2017	-	305,326	305,326	-	N/A	N/A

**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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 3,842,044	\$ 3,871,307	\$ 3,870,146	\$ (1,161)
Local restricted	-	5,026	3,342	(1,684)
Other local revenue	425,512	637,776	588,349	(49,427)
Total local sources	4,267,556	4,514,109	4,461,837	(52,272)
State sources:				
State aid unrestricted	13,367,029	13,443,834	13,437,169	(6,665)
State aid restricted	3,433,450	3,663,060	3,644,406	(18,654)
Total state sources	16,800,479	17,106,894	17,081,575	(25,319)
Federal sources	910,408	1,017,943	930,287	(87,656)
Other sources:				
Other restricted	398,600	524,964	563,321	38,357
Total revenues	22,377,043	23,163,910	23,037,020	(126,890)
Expenditures				
Current:				
Instruction:				
Salaries	8,593,311	8,352,997	8,337,084	(15,913)
Fringe benefits	5,759,092	5,738,626	5,676,791	(61,835)
Purchased services	262,077	253,249	208,068	(45,181)
Supplies and capital outlay	315,063	381,078	314,306	(66,772)
Total instruction	14,929,543	14,725,950	14,536,249	(189,701)

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Continued)				
Support services:				
Instructional support services:				
Salaries	\$ 1,133,586	\$ 1,141,898	\$ 1,162,377	\$ 20,479
Fringe benefits	802,569	875,139	786,793	(88,346)
Purchased services	165,305	263,043	235,101	(27,942)
Supplies	279,052	364,750	362,659	(2,091)
	<u>2,380,512</u>	<u>2,644,831</u>	<u>2,546,930</u>	<u>(97,901)</u>
Office of the Principal:				
Salaries	689,401	693,526	694,498	972
Fringe benefits	454,427	467,704	482,017	14,313
Purchased services	1,800	6,459	2,777	(3,682)
Supplies and capital outlay	89,415	88,058	71,936	(16,122)
	<u>1,235,043</u>	<u>1,255,747</u>	<u>1,251,228</u>	<u>(4,519)</u>
District support services:				
Salaries	336,286	299,383	297,069	(2,314)
Fringe benefits	212,967	172,685	176,703	4,018
Purchased services	259,325	286,255	224,675	(61,580)
Supplies and capital outlay	37,325	80,820	74,733	(6,087)
	<u>845,903</u>	<u>839,143</u>	<u>773,180</u>	<u>(65,963)</u>
Operations and maintenance:				
Salaries	192,110	198,114	186,947	(11,167)
Fringe benefits	135,156	198,136	176,338	(21,798)
Purchased services	502,448	711,945	697,730	(14,215)
Supplies and capital outlay	502,035	521,575	494,263	(27,312)
	<u>1,331,749</u>	<u>1,629,770</u>	<u>1,555,278</u>	<u>(74,492)</u>
Pupil transportation:				
Salaries	485,594	520,602	499,120	(21,482)
Fringe benefits	479,433	424,225	450,490	26,265
Purchased services	54,076	91,618	89,874	(1,744)
Supplies and capital outlay	157,050	159,217	133,480	(25,737)
	<u>1,176,153</u>	<u>1,195,662</u>	<u>1,172,964</u>	<u>(22,698)</u>
Athletics:				
Salaries	163,298	171,019	172,287	1,268
Fringe benefits	84,309	77,153	77,409	256
Purchased services	88,090	110,601	101,071	(9,530)
Supplies and capital outlay	53,355	88,749	76,590	(12,159)
	<u>389,052</u>	<u>447,522</u>	<u>427,357</u>	<u>(20,165)</u>
Total support services	7,358,412	8,012,674	7,726,937	(285,737)

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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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Concluded)				
Community services:				
Salaries	\$ 28,348	\$ 32,269	\$ 27,580	\$ (4,689)
Fringe benefits	12,754	13,148	12,891	(257)
Supplies and capital outlay	7,228	15,857	6,380	(9,477)
Total community services	<u>48,330</u>	<u>61,274</u>	<u>46,851</u>	<u>(14,423)</u>
Debt service:				
Principal	76,570	76,570	76,570	-
Interest and fiscal charges	44,188	60,595	54,484	(6,111)
Total debt service	<u>120,758</u>	<u>137,165</u>	<u>131,054</u>	<u>(6,111)</u>
Total expenditures	<u>22,457,043</u>	<u>22,937,063</u>	<u>22,441,091</u>	<u>(495,972)</u>
Revenues over (under) expenditures	(80,000)	226,846	595,929	369,083
Other financing sources				
Transfers in	<u>80,000</u>	-	-	-
Net change in fund balance	-	226,846	595,929	369,083
Fund balance, beginning of year	<u>870,240</u>	<u>870,240</u>	<u>870,240</u>	-
Fund balance, end of year	<u>\$ 870,240</u>	<u>\$ 1,097,086</u>	<u>\$ 1,466,169</u>	<u>\$ 369,083</u>

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ESCANABA AREA PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

	Special Revenue Fund	Capital Project Fund
	Food Service	Public Improvement
Assets		
Cash and cash equivalents	\$ 21,085	\$ 228,663
Accounts receivable	25,849	-
Due from other funds	5,207	-
Other assets	40,991	-
	<u>93,132</u>	<u>228,663</u>
Total assets	<u>\$ 93,132</u>	<u>\$ 228,663</u>
Liabilities		
Accounts payable	\$ 42,533	\$ 1,737
Accrued liabilities	15,819	-
Unearned revenue	-	85,784
	<u>58,352</u>	<u>87,521</u>
Total liabilities	<u>58,352</u>	<u>87,521</u>
Fund balances		
Nonspendable for inventories	40,991	-
Restricted:		
Debt service	-	-
Assigned:		
Capital projects	-	141,142
Unassigned (deficit)	(6,211)	-
	<u>34,780</u>	<u>141,142</u>
Total fund balances	<u>34,780</u>	<u>141,142</u>
Total liabilities and fund balances	<u>\$ 93,132</u>	<u>\$ 228,663</u>



Debt Service Funds			
2010 Debt Retirement	2014 Refunding Bonds	2016 Refunding Bonds	Total
\$ 570,307	\$ -	\$ -	\$ 820,055
-	-	-	25,849
-	-	-	5,207
-	-	-	40,991
<u>\$ 570,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 892,102</u>
\$ -	\$ -	\$ -	\$ 44,270
-	-	-	15,819
-	-	-	85,784
-	-	-	145,873
-	-	-	40,991
570,307	-	-	570,307
-	-	-	141,142
-	-	-	(6,211)
<u>570,307</u>	<u>-</u>	<u>-</u>	<u>746,229</u>
<u>\$ 570,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 892,102</u>

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2017

	Special Revenue Fund	Capital Project Fund
	Food Service	Public Improvement
Revenues		
Local sources	\$ 451,280	\$ 129,728
State sources	47,667	-
Federal sources	698,830	-
	<hr/>	<hr/>
Total revenues	1,197,777	129,728
	<hr/>	<hr/>
Expenditures		
Current:		
Salaries	327,847	-
Fringe benefits	234,676	-
Food services	635,553	-
Debt service:		
Principal	-	-
Interest and fiscal charges	-	28,038
Capital outlay	-	71,050
	<hr/>	<hr/>
Total expenditures	1,198,076	99,088
	<hr/>	<hr/>
Revenues over (under) expenditures	(299)	30,640
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers in	-	-
Transfers out	-	-
	<hr/>	<hr/>
Total other financing sources (uses)	-	-
	<hr/>	<hr/>
Net changes in fund balances	(299)	30,640
	<hr/>	<hr/>
Fund balances, beginning of year	35,079	110,502
	<hr/>	<hr/>
Fund balances, end of year	\$ 34,780	\$ 141,142
	<hr/> <hr/>	<hr/> <hr/>



Debt Service Funds			
2010 Debt Retirement	2014 Refunding Bonds	2016 Refunding Bonds	Total
\$ 1,031,672	\$ -	\$ 2,140	\$ 1,614,820
186,830	-	-	234,497
-	-	-	698,830
<u>1,218,502</u>	<u>-</u>	<u>2,140</u>	<u>2,548,147</u>
-	-	-	327,847
-	-	-	234,676
-	-	-	635,553
555,000	460,000	715,000	1,730,000
16,802	778,100	339,372	1,162,312
-	-	-	71,050
<u>571,802</u>	<u>1,238,100</u>	<u>1,054,372</u>	<u>4,161,438</u>
<u>646,700</u>	<u>(1,238,100)</u>	<u>(1,052,232)</u>	<u>(1,613,291)</u>
-	1,238,100	1,000,638	2,238,738
<u>(174,730)</u>	<u>-</u>	<u>-</u>	<u>(174,730)</u>
<u>(174,730)</u>	<u>1,238,100</u>	<u>1,000,638</u>	<u>2,064,008</u>
471,970	-	(51,594)	450,717
98,337	-	51,594	295,512
<u>\$ 570,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 746,229</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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 443,711	\$ 460,211	\$ 451,280	\$ (8,931)
State sources	49,787	48,224	47,667	(557)
Federal sources	608,200	674,200	698,830	24,630
Total revenues	1,101,698	1,182,635	1,197,777	15,142
Expenditures				
Salaries	286,669	324,049	327,847	3,798
Fringe benefits	217,270	224,196	234,676	10,480
Food services	614,116	651,916	635,553	(16,363)
Total expenditures	1,118,055	1,200,161	1,198,076	(2,085)
Change in fund balance	(16,357)	(17,526)	(299)	17,227
Fund balance, beginning of year	35,079	35,079	35,079	-
Fund balance, end of year	\$ 18,722	\$ 17,553	\$ 34,780	\$ 17,227

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds - Scholarships

June 30, 2017

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
Assets			
Cash and cash equivalents	\$ 143,484	\$ 378,507	\$ 521,991
Accrued interest receivable	1,897	3,267	5,164
Investments:			
Corporate bonds	132,424	212,624	345,048
Common stocks	501,285	1,018,703	1,519,988
Mutual funds	886,173	2,321,326	3,207,499
Real assets	117,954	257,983	375,937
Total investments	<u>1,637,836</u>	<u>3,810,636</u>	<u>5,448,472</u>
Total assets (equal to net position restricted for scholarships)	<u>\$ 1,783,217</u>	<u>\$ 4,192,410</u>	<u>\$ 5,975,627</u>

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds - Scholarships

For the Year Ended June 30, 2017

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
Additions			
Contributions	\$ -	\$ 204,591	\$ 204,591
Investment income:			
Interest and dividends	45,067	99,874	144,941
Net increase in fair value of investments	167,658	349,766	517,424
Total investment income	212,725	449,640	662,365
Total additions	212,725	654,231	866,956
Deductions			
Scholarships and trophies	73,250	298,197	371,447
Trustee fees	10,271	23,328	33,599
Other	-	85	85
Total deductions	83,521	321,610	405,131
Change in net position	129,204	332,621	461,825
Net position, beginning of year	1,654,013	3,859,789	5,513,802
Net position, end of year	\$ 1,783,217	\$ 4,192,410	\$ 5,975,627

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ESCANABA AREA PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Net Position
 Co-mingled Scholarships Fund
 For the Year Ended June 30, 2017

	Net Position July 1, 2016	Additions				Total Additions
		Contributions	Interest and Dividends	Gain on Sale of Investments	Increase in Fair Value of Investments	
Investment accounts						
Abrahamson, Gary Sr. Athletic Award	\$ 103,800	\$ -	\$ 2,851	\$ 162	\$ 9,822	\$ 12,835
Abrahamson Family	107,336	-	2,945	167	10,153	13,265
Adamini, Peter Memorial	10,212	-	280	16	966	1,262
Aronson, Arthur V. & Elin C.	100,808	10,000	2,769	157	9,539	22,465
Beauchamp, Grace Huston	14,440	-	397	23	1,366	1,786
Beck, Conrad D.	8,253	2,960	227	13	781	3,981
Bennets, Jeanee	12,381	-	340	19	1,172	1,531
Berhow, Rona Rae Memorial	1,000	1,000	27	3	95	1,125
Berndt, Sherry	41,979	-	1,153	65	3,972	5,190
Bero, Willard & Joyce	53,217	-	1,462	83	5,036	6,581
Bonifas, Catherine	109,623	-	3,011	171	10,373	13,555
Bosk, Robert & Olga	52,971	10,000	1,455	83	5,012	16,550
Calouette, John A. Memorial	10,000	-	275	16	946	1,237
Class of 1963	502	-	14	1	48	63
Chernick, John Memorial	2,535	-	70	4	240	314
Class of 1959	24,257	4,289	666	38	2,295	7,288
Cohodas, Sam M.	8,831	-	243	14	836	1,093
Coplan Family Music	42,229	-	1,160	66	3,996	5,222
Coplan, BA Memorial	56,503	-	1,552	88	5,347	6,987
Cvengros, Jerry Memorial	5,649	-	155	9	535	699
Cunningham Family	9,153	-	251	14	866	1,131
Dagenais, Elmer & Phoebe	10,481	1,250	288	16	992	2,546
Diedrich, Louis	15,796	2,000	434	25	1,495	3,954
Derkos, Danny Memorial	9,931	50	273	15	940	1,278
Deroquin, Dean	3,811	-	105	6	361	472
Dufour, Susan C. & Thomas D	7,237	-	199	11	685	895
Dunstone, Robert Memorial	4,072	250	112	6	385	753
Edick, Edward E.	10,786	-	296	17	1,021	1,334
Erickson/Breitenbach Wildlife	1,000	-	27	3	95	125
Escanaba Educational Trust	15,041	-	413	23	1,423	1,859
Fernstrom, Esther	9,086	-	250	14	860	1,124
Ferrari, Joan Hesse	11,091	-	305	17	1,049	1,371
Fontaine, Sally Stack	9,633	-	265	15	912	1,192
Fleming, Lawrence and Nina	15,449	-	424	24	1,462	1,910
Freidhoff, Steve Memorial	1,752	-	48	3	166	217
Gasman, John T.	1,080	-	30	3	102	135
Gessner, Charles H. Family	83,124	-	2,283	130	7,866	10,279
Gordon, Dr. E. James	262,198	-	7,201	409	24,811	32,421
Grab, George	30,790	-	846	48	2,914	3,808
Hansen, John Wesley Memorial	14,959	-	411	23	1,415	1,849
Haslow, Robert L. Memorial	5,213	-	143	8	493	644
Henslee, Forrest & Mary	23,487	1,125	645	37	2,222	4,029
Johnson, Bradley D.	65,166	-	1,790	102	6,166	8,058
Karkkainen, Melvin	2,701	1,000	74	4	256	1,334
Kirstin, Herbert & Irene	16,048	-	441	25	1,519	1,985
Klemmetsen/Rose Memorial	298,208	-	8,190	465	28,218	36,873
Koontz, John & Barbara Memorial	4,056	-	111	6	384	501
LaFave, Olive C.	32,525	-	893	51	3,078	4,022
Lemerand, Clarence & Della	370,366	-	10,172	577	35,046	45,795
Lindstrom, James	4,102	-	113	6	388	507
Louis, Frank B. & Mamie A.	136,827	-	3,758	213	12,947	16,918
McCotter, Delores	1,671	-	46	3	158	207
McDermott, Thomas Memorial	49,055	1,000	1,347	76	4,642	7,065

Deductions		Total Deductions	Adjustments	Change in Net Position	Net Position June 30, 2017	Accumulated Contributions to Fund	Remaining Balance
Scholarships and Trophies	Trustee Fees						
\$ 3,500	\$ 668	\$ 4,168	\$ -	\$ 8,667	\$ 112,467	\$ 104,000	\$ 8,467
9,842	695	10,537	-	2,728	110,064	120,000	(9,936)
500	66	566	-	696	10,908	8,510	2,398
4,650	649	5,299	-	17,166	117,974	90,325	27,649
700	93	793	-	993	15,433	10,000	5,433
400	53	453	-	3,528	11,781	7,000	4,781
600	80	680	-	851	13,232	11,898	1,334
1,000	6	1,006	-	119	1,119	4,000	(2,881)
2,100	270	2,370	-	2,820	44,799	31,376	13,423
2,500	342	2,842	-	3,739	56,956	40,000	16,956
5,100	705	5,805	-	7,750	117,373	50,000	67,373
2,500	341	2,841	-	13,709	66,680	54,500	12,180
-	64	64	-	1,173	11,173	10,000	1,173
1,550	3	1,553	-	(1,490)	(988)	1,500	(2,488)
150	16	166	-	148	2,683	2,200	483
-	164	164	-	7,124	31,381	26,707	4,674
425	57	482	-	611	9,442	5,186	4,256
3,350	272	3,622	-	1,600	43,829	25,000	18,829
-	364	364	-	6,623	63,126	56,856	6,270
-	36	36	-	663	6,312	5,665	647
450	59	509	-	622	9,775	6,100	3,675
-	67	67	-	2,479	12,960	11,800	1,160
650	102	752	-	3,202	18,998	15,600	3,398
-	64	64	-	1,214	11,145	10,050	1,095
175	25	200	-	272	4,083	2,104	1,979
350	47	397	-	498	7,735	5,170	2,565
-	26	26	-	727	4,799	4,350	449
500	69	569	-	765	11,551	5,507	6,044
-	6	6	-	119	1,119	1,000	119
725	97	822	-	1,037	16,078	11,603	4,475
450	58	508	-	616	9,702	4,226	5,476
500	71	571	-	800	11,891	8,695	3,196
450	62	512	-	680	10,313	10,300	13
750	99	849	-	1,061	16,510	10,000	6,510
150	11	161	-	56	1,808	1,941	(133)
150	7	157	-	(22)	1,058	1,115	(57)
4,000	535	4,535	-	5,744	88,868	64,963	23,905
11,850	1,687	13,537	-	18,884	281,082	218,131	62,951
1,400	198	1,598	-	2,210	33,000	20,000	13,000
725	96	821	-	1,028	15,987	11,250	4,737
-	34	34	-	610	5,823	5,250	573
1,000	151	1,151	-	2,878	26,365	26,296	69
3,750	419	4,169	-	3,889	69,055	49,607	19,448
1,000	22	1,022	-	312	3,013	8,000	(4,987)
750	103	853	-	1,132	17,180	10,000	7,180
14,217	1,919	16,136	-	20,737	318,945	232,350	86,595
200	26	226	-	275	4,331	1,455	2,876
-	209	209	-	3,813	36,338	20,000	16,338
17,375	2,383	19,758	-	26,037	396,403	300,741	95,662
150	26	176	-	331	4,433	4,100	333
8,200	880	9,080	-	7,838	144,665	89,945	54,720
150	11	161	-	46	1,717	1,500	217
2,350	317	2,667	-	4,398	53,453	47,420	6,033

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Net Position
 Co-mingled Scholarships Fund
 For the Year Ended June 30, 2017

	Net Position July 1, 2016	Additions				Total Additions
		Contributions	Interest and Dividends	Gain on Sale of Investments	Increase in Fair Value of Investments	
Investment accounts						
McKie, Donald	\$ 26,465	\$ -	\$ 727	\$ 41	\$ 2,504	\$ 3,272
McInerney, Dr. Thomas & Dr. Edna Memorial	67,232	-	1,847	105	6,362	8,314
Micensky, Robert	4,648	-	128	7	440	575
Milkiewicz, Stephen M.	5,214	-	143	8	493	644
Milkiewicz, Kim Ann	11,494	-	316	18	1,088	1,422
Molin, Jack and Class of 1944	37,615	-	1,033	59	3,559	4,651
Mroczkowski, Dale/ Fritolay	8	1,000	-	-	1	1,001
Nordberg, Carl A.	16,256	-	446	25	1,538	2,009
O'Donnell, Anne C.	29,700	-	816	46	2,810	3,672
Olson, Joanne Taylor	12,476	-	343	19	1,181	1,543
Owen, Robert A. & Ruth	32,325	-	888	50	3,059	3,997
Owens, Georgia Gibbs/ Irwin & Marge Gibbs	230,411	-	6,328	359	21,803	28,490
Peterson, Ken	1,881	-	52	3	178	233
Pfotenhauer/Gessner	12,827	-	352	20	1,214	1,586
Puckelwartz, William H.	29,347	-	806	46	2,777	3,629
Reade, H.W.	22,919	-	629	36	2,169	2,834
Ruwitch, George	34,237	-	940	53	3,240	4,233
Saykly, Josephine	11,183	-	307	17	1,058	1,382
Schram, Dick Memorial	13,288	-	365	21	1,257	1,643
St. Louis, Maria, George & Stanley	357,404	-	9,816	557	33,819	44,192
St. Pierre, Mary	4,713	-	129	7	446	582
Stein, Daniel	46,371	-	1,274	72	4,388	5,734
Taylor, Francis & Nancy	124,761	-	3,427	195	11,806	15,428
Taylor, Al Family	128,093	-	3,518	200	12,121	15,839
Taylor, Naomi Memorial	34,203	-	939	53	3,236	4,228
Timmer, Gene	3,299	-	91	5	312	408
VanEffen, William J.	7,273	-	200	11	688	899
Wylie, Henry	3,904	-	107	6	369	482
Young, A.J.	24,439	-	671	38	2,313	3,022
	<u>3,636,407</u>	<u>35,924</u>	<u>99,874</u>	<u>5,670</u>	<u>344,096</u>	<u>485,564</u>
Cash accounts						
Wickman/Addison, Ruth	5,007	5,196	-	-	-	5,196
Felton, Oliver	5,337	5,323	-	-	-	5,323
Hirn, Robert & Elva	178,921	67,500	-	-	-	67,500
Kintziger, Louis J.	5,691	4,083	-	-	-	4,083
Maki, Arnie & Violet	13,085	11,165	-	-	-	11,165
Sackerson, Edward J.	12,812	5,000	-	-	-	5,000
Miscellaneous contributions	2,529	70,400	-	-	-	70,400
	<u>223,382</u>	<u>168,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,667</u>
Total	<u>\$ 3,859,789</u>	<u>\$ 204,591</u>	<u>\$ 99,874</u>	<u>\$ 5,670</u>	<u>\$ 344,096</u>	<u>\$ 654,231</u>

Deductions								
Scholarships and Trophies	Trustee Fees	Total Deductions	Adjustments	Change in Net Position	Net Position June 30, 2017	Accumulated Contributions to Fund	Remaining Balance	
\$ 1,275	\$ 170	\$ 1,445	\$ -	\$ 1,827	\$ 28,292	\$ 24,176	\$ 4,116	
1,550	433	1,983	-	6,331	73,563	50,000	23,563	
150	30	180	-	395	5,043	4,155	888	
250	34	284	-	360	5,574	8,500	(2,926)	
550	74	624	-	798	12,292	2,600	9,692	
1,750	242	1,992	-	2,659	40,274	29,644	10,630	
1,000	-	1,000	-	1	9	4,000	(3,991)	
775	105	880	-	1,129	17,385	11,562	5,823	
1,400	191	1,591	-	2,081	31,781	21,005	10,776	
600	80	680	-	863	13,339	10,000	3,339	
1,550	208	1,758	-	2,239	34,564	25,000	9,564	
7,900	1,483	9,383	-	19,107	249,518	153,755	95,763	
150	12	162	-	71	1,952	1,500	452	
630	83	713	-	873	13,700	10,000	3,700	
1,400	189	1,589	-	2,040	31,387	12,962	18,425	
1,100	147	1,247	-	1,587	24,506	10,150	14,356	
1,600	220	1,820	-	2,413	36,650	28,096	8,554	
550	72	622	-	760	11,943	10,000	1,943	
650	85	735	-	908	14,196	10,090	4,106	
13,050	2,300	15,350	-	28,842	386,246	234,975	151,271	
200	30	230	-	352	5,065	4,164	901	
2,250	298	2,548	-	3,186	49,557	35,000	14,557	
5,908	803	6,711	-	8,717	133,478	100,000	33,478	
5,908	824	6,732	-	9,107	137,200	100,000	37,200	
1,650	220	1,870	-	2,358	36,561	25,000	11,561	
200	21	221	-	187	3,486	2,814	672	
350	47	397	-	502	7,775	5,000	2,775	
200	25	225	-	257	4,161	2,708	1,453	
1,200	157	1,357	-	1,665	26,104	9,900	16,204	
<u>167,030</u>	<u>23,413</u>	<u>190,443</u>	<u>-</u>	<u>295,121</u>	<u>3,931,528</u>	<u>2,832,048</u>	<u>1,099,480</u>	
3,775	-	3,775	-	1,421	6,428	26,326	6,428	
7,008	-	7,008	-	(1,685)	3,652	22,661	3,652	
67,075	-	67,075	-	425	179,346	263,641	179,346	
4,175	-	4,175	-	(92)	5,599	16,695	5,599	
8,383	-	8,383	-	2,782	15,867	41,458	15,867	
5,000	-	5,000	-	-	12,812	20,000	12,812	
35,751	-	35,751	-	34,649	37,178	130,513	37,178	
<u>131,167</u>	<u>-</u>	<u>131,167</u>	<u>-</u>	<u>37,500</u>	<u>260,882</u>	<u>521,294</u>	<u>260,882</u>	
<u>\$ 298,197</u>	<u>\$ 23,413</u>	<u>\$ 321,610</u>	<u>\$ -</u>	<u>\$ 332,621</u>	<u>\$ 4,192,410</u>	<u>\$ 3,353,342</u>	<u>\$ 1,360,362</u>	Concluded

ESCANABA AREA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Assets				
Cash and cash equivalents	\$ 129,436	\$ 411,425	\$ (374,675)	\$ 166,186
Liabilities				
Accounts payable	\$ -	\$ 355	\$ -	\$ 355
Due to student activities	129,436	411,070	(374,675)	165,831
Total liabilities	\$ 129,436	\$ 411,425	\$ (374,675)	\$ 166,186
The balances due to student activities consist of the following:				
Upper Elementary				
Interest	\$ 203	\$ 34	\$ (200)	\$ 37
Parents as partners	18	-	-	18
Library fund	725	3,762	(3,945)	542
Music fund - band	(200)	200	-	-
Pop fund	159	332	(281)	210
Working account	414	8,160	(7,960)	614
Student council	31	-	-	31
4th grade	2,551	12,579	(12,381)	2,749
5th grade	809	2,884	(2,842)	851
Middle School 6-1	656	9,459	(9,274)	841
Middle School special ed	25	-	-	25
Drama	414	-	(521)	(107)
Total Upper Elementary	5,805	37,410	(37,404)	5,811
Elementary	6,525	12,665	(13,013)	6,177
Senior High Activities				
Publications	7,239	3,057	(4,096)	6,200
Activities	338	2,410	(1,917)	831
Prior Classes	13,689	-	2,794	16,483
Music	17,129	95,618	(83,262)	29,485
Clubs	17,408	28,331	(28,971)	16,768
General	16,736	97,320	(88,208)	25,848
Concessions	7,009	23,470	(25,302)	5,177
Total Senior High Activities	79,548	250,206	(228,962)	100,792

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Athletic Camps				
Boys basketball	\$ 6,481	\$ 12,875	\$ (11,194)	\$ 8,162
Cheerleading	3,896	625	(2,535)	1,986
Cross country	961	-	-	961
Football	7,032	27,502	(16,415)	18,119
Girls basketball	3,866	2,645	(5,328)	1,183
Golf	3,432	7,670	(6,820)	4,282
Boy's tennis	245	8,537	(6,281)	2,501
Girl's tennis	113	-	-	113
Boy's Track	55	671	(71)	655
Volleyball	866	1,836	(910)	1,792
Wrestling	572	-	-	572
Baseball	1,150	-	(1,089)	61
Girls softball	602	7,682	(6,933)	1,351
Girl's Track	550	1,045	(1,454)	141
Sideline cheer	-	9,957	(8,828)	1,129
Total Athletic Camps	29,821	81,045	(67,858)	43,008
Junior High Activities				
Interest	3	-	-	3
Student council	828	573	(694)	707
The Man's Club	400	1,755	(639)	1,516
Challenge day	1,561	-	(280)	1,281
Yearbook	1,934	3,477	(4,225)	1,186
Working account	509	602	(594)	517
Builders club	728	4,461	(4,434)	755
7th grade 7-1	166	-	-	166
8th grade 8-1	460	-	-	460
Concession	614	4,198	(4,198)	614
Band	534	14,001	(11,718)	2,817
Competitive cheer	-	677	(656)	21
Total Junior High Activities	7,737	29,744	(27,438)	10,043
Total	\$ 129,436	\$ 411,070	\$ (374,675)	\$ 165,831

Concluded

OTHER INFORMATION (UNAUDITED)

ESCANABA AREA PUBLIC SCHOOLS

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

For the Year Ended June 30, 2017

	Taxable Valuation	Per \$1,000 Valuation	Tax Levy
General Fund (on-homestead taxable valuation only)			
City of Escanaba	\$154,926,731	6-18 mills	\$ 2,612,369
Wells Township (Delta County)	40,716,248	6-18 mills	717,646
Ford River Township	19,001,082	6-18 mills	339,972
Cornell Township	8,877,678	6-18 mills	159,794
Wells Township (Marquette County)	<u>2,204,998</u>	6-18 mills	<u>37,681</u>
Total General Fund	<u><u>\$225,726,737</u></u>	6-18 mills	<u><u>\$ 3,867,462</u></u>
2010 Debt Retirement Fund (on total taxable valuation)			
City of Escanaba	\$293,468,402	1.87 mills	\$ 548,786
Wells Township (Delta County)	153,042,476	1.87 mills	286,189
Ford River Township	64,143,945	1.87 mills	119,949
Cornell Township	22,415,854	1.87 mills	41,918
Wells Township (Marquette County)	<u>2,894,235</u>	1.87 mills	<u>5,412</u>
Total 2010 Debt Retirement Fund	<u><u>\$535,964,912</u></u>	1.87 mills	<u><u>\$ 1,002,254</u></u>
2001 Debt Retirement Fund (on total taxable valuation)			
City of Escanaba	\$293,468,402	2.73 mills	\$ 801,169
Wells Township (Delta County)	153,042,476	2.73 mills	417,806
Ford River Township	64,143,945	2.73 mills	175,113
Cornell Township	22,415,854	2.73 mills	61,195
Wells Township (Marquette County)	<u>2,894,235</u>	2.73 mills	<u>7,901</u>
Total 2001 Debt Retirement Fund	<u><u>\$535,964,912</u></u>	2.73 mills	<u><u>\$ 1,463,184</u></u>

SINGLE AUDIT ACT COMPLIANCE

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

October 18, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 18, 2017, 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, 2017

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	171970	\$ 92,452
National school lunch - breakfast	10.553	MDE	161970	105,649
National school lunch program section - all lunches	10.555	MDE	171960	424,986
National school lunch program section - all lunches	10.555	MDE	161960	481,766
Summer food service program - operating	10.559	MDE	170900	4,927
Summer food service program - operating	10.559	MDE	160900	22,523
Summer food service program - administrative	10.559	MDE	171900	515
Summer food service program - administrative	10.559	MDE	161900	2,104
Non-cash assistance:				
Entitlement commodities	10.555	MDE	n/a	99,580
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I, Part A - Improving Basic Programs	84.010	MDE	171530-1617	618,905
Title I, Part A - Improving Basic Programs	84.010	MDE	161530-1516	659,590
Title I, Part A - Improving Basic Programs	84.010	GLAS	171530-1617	3,416
Indian Education 16/17	84.060A	Direct	n/a	39,970
Indian Education 15/16	84.060A	Direct	n/a	39,948
Title II, Part A - Improving Teacher Quality	84.367	MDE	170520-1617	285,420
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	170660-1617	70,232
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	7,488
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2016	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2017	Accrued (Unearned) Revenue June 30, 2017
\$ -	\$ 92,452	\$ -	\$ 92,452	\$ -
-	8,439	97,210	8,439	-
-	424,986	-	424,986	-
-	50,735	431,031	50,735	-
-	-	-	4,927	4,927.00
(2,430)	13,136	4,526	15,566	-
-	-	-	515	515.00
19	1,649	474	1,630	-
-	99,580	-	99,580	-
<u>(2,411)</u>	<u>690,977</u>	<u>533,241</u>	<u>698,830</u>	<u>5,442</u>
-	556,659	-	593,200	36,541
32,606	32,606	616,585	-	-
-	3,416	-	3,416	-
<u>32,606</u>	<u>592,681</u>	<u>616,585</u>	<u>596,616</u>	<u>36,541</u>
-	39,970	-	39,970	-
4,441	4,441	39,948	-	-
<u>4,441</u>	<u>44,411</u>	<u>39,948</u>	<u>39,970</u>	<u>-</u>
-	205,207	-	228,906	23,699
(2,428)	(2,428)	239,345	-	-
(2,657)	(2,657)	104,373	-	-
<u>(5,085)</u>	<u>200,122</u>	<u>343,718</u>	<u>228,906</u>	<u>23,699</u>
-	32,299	-	57,307	25,008
7,870	7,870	26,971	-	-
<u>7,870</u>	<u>40,169</u>	<u>26,971</u>	<u>57,307</u>	<u>25,008</u>
<u>39,832</u>	<u>877,383</u>	<u>1,027,222</u>	<u>922,799</u>	<u>85,248</u>
-	7,488	-	7,488	-
<u>\$ 37,421</u>	<u>\$ 1,575,848</u>	<u>\$ 1,560,463</u>	<u>\$ 1,629,117</u>	<u>\$ 90,690</u>

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

RECONCILIATION TO GRANT SECTION AUDITORS' REPORT

Current payments per the Grant Auditor Report	\$ 1,420,953
Plus:	
Medicaid Outreach	7,488
Title I amounts passed through Gladstone Area Public School District	3,416
Entitlement and bonus commodities	99,580
Direct award from Department of Education	<u>44,411</u>
Total current year receipts per schedule of expenditures of federal awards	<u>\$ 1,575,848</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, 2017. 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.

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. RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal sources of revenue reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds agree to federal expenditures reported on the schedule.

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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

4. 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
MDE	Michigan Department of Education
GLAS	Gladstone Area Public School District
DISD	Delta-Schoolcraft Intermediate School District

Instances where pass-through entities did not provide pass-through grantor identifications numbers are identified on the schedule as "-n/a-".



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 18, 2017

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, 2017, 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 18, 2017.

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

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.

A handwritten signature in cursive script that reads "Rehmann Lobson LLC". The signature is written in black ink and is centered on the page.

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

October 18, 2017

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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for 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 Each 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, 2017.

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.

A handwritten signature in cursive script that reads "Lehmann Lobson LLC".

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

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:

CFDA Number Name of Federal Program or Cluster

10.553, 10.555 and 10.559 Child nutrition cluster

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, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings noted.

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

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, 2017

No findings were reported.

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