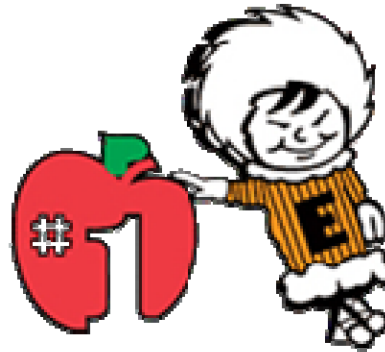


Escanaba Area
Public Schools



Year Ended
June 30, 2018

Financial
Statements and
Single Audit Act
Compliance

ESCANABA AREA PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 12, 2018

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, the major fund, and the aggregate remaining fund information of *Escanaba Area Public Schools* (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, the major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As described in Note 17, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

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 statements.

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 12, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Escanaba Area Public School's (the "District") management's discussion and analysis is intended to assist the reader in focusing on significant issues, provide an overview of the District's financial activity, identify changes in the District's financial position, and its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ended June 30, 2018. 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

As stated earlier, the statement of net position provides the financial perspective of the District as a whole. At June 30, 2018, the District reported a deficit net position of \$(31,186,367). The table below provides a summary of the District's net position as of June 30:

	Net Position		
	Governmental Activities		Percent Change
	2018	2017	
Assets			
Current and other assets	\$ 8,240,928	\$ 7,772,517	6.0%
Capital assets, net	33,443,004	34,171,839	-2.1%
Total assets	41,683,932	41,944,356	-0.6%
Deferred outflows of resources	10,475,327	6,977,051	50.1%
Liabilities			
Current and other liabilities	55,013,498	40,988,520	34.2%
Long-term liabilities	25,400,455	27,271,478	-6.9%
Total liabilities	80,413,953	68,259,998	17.8%
Deferred inflows of resources	2,931,673	173,712	100.0%
Net position			
Net investment in capital assets	10,190,815	9,104,782	11.9%
Restricted for:			
Capital projects	180,522	141,142	27.9%
Debt service	644,161	787,309	-18.2%
Food service	1,582	34,780	-95.5%
Unrestricted (deficit)	(42,203,447)	(29,580,316)	42.7%
Total net position (deficit)	\$ (31,186,367)	\$ (19,512,303)	-59.8%

As discussed in Note 17 to the financial statements, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result of this change, the District's current and other liabilities were increased and beginning net position of governmental activities was decreased by \$12,352,593, respectively.

Net investment in capital assets is the original cost of the District's capital assets, less accumulated depreciation, less the long-term debt outstanding used to finance the acquisition of those assets. The original cost of capital assets is approximately \$52,549,000 and \$52,249,000 for June 30, 2018 and 2017, 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 \$19,106,000 and \$18,077,000 for the years ended June 30, 2018 and 2017, respectively. Total outstanding debt related to capital assets is approximately \$24,070,000 and \$27,787,000 at 2018 and 2017, 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 \$181,000, \$664,000, and \$25,000, respectively for 2018, and approximately \$141,000, \$787,000, and \$35,000, respectively, for 2017.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

The remaining amount of net position, a deficit of approximately \$(42,203,000) and \$(29,580,000) for 2018 and 2017, respectively, represents the accumulated results of the current and all past years' operations.

The results of operations for the District as a whole are reported in the statement of activities. A condensed summary of the District-wide results of operations follows for the years ended June 30:

	Change in Net Position		
	Governmental Activities		Percent Change
	2018	2017	
Program revenues			
Charges for services - local	\$ 521,975	\$ 596,611	-12.5%
Operating grants - federal, state, and local	1,920,290	2,462,821	-22.0%
Total program revenues	2,442,265	3,059,432	-20.2%
General revenues			
Property taxes - operations	4,128,282	3,870,144	6.7%
Property taxes - debt retirement	2,254,275	2,530,355	-10.9%
State of Michigan aid - unrestricted	13,850,533	13,896,776	-0.3%
State of Michigan aid - restricted	3,708,777	3,644,406	1.8%
Other	297,924	358,264	-16.8%
Total general revenues	24,239,791	24,299,945	-0.2%
Total revenues	26,682,056	27,359,377	-2.5%
Expenses			
Instruction	15,162,100	15,093,152	0.5%
Supporting services	7,570,048	7,836,308	-3.4%
Community services	76,143	48,355	57.5%
Food services	1,154,006	1,214,703	-5.0%
Interest on long-term debt	943,739	947,146	-0.4%
Unallocated depreciation	1,097,491	1,153,377	-4.8%
Total expenses	26,003,527	26,293,041	-1.1%
Change in net position	678,529	1,066,336	-36.4%
Net position (deficit):			
Beginning of year	(19,512,303)	(20,578,639)	5.2%
Restatement for implementation of GASB 75	(12,352,593)	-	-100.0%
End of year	\$ (31,186,367)	\$ (19,512,303)	-59.8%

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Of the 2018 total revenues available to operate the District, 2% or approximately \$522,000 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 7% or approximately \$1,920,000.

The State foundation allowance accounted for 66% or approximately \$17,559,000 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 24% or approximately \$6,383,000 of the revenue available. Of the total property tax revenues reported, approximately \$4,128,000 was allocated to operations and approximately \$2,254,000 was allocated to debt retirements. Other revenues accounted for 1% of available revenues or \$298,000.

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 \$290,000 or 1%. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$15,162,000 or 58% of total expenses. Support services costs are approximately \$7,570,000 or 29% 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 Fund Budgeting and Operating Highlights

The District's Funds

The overall position of the governmental funds decreased by approximately \$212,000 from the prior year. The general fund balance decreased by approximately \$68,000 and the nonmajor governmental funds decreased approximately \$144,000. The general fund decrease related mainly to a lower enrollment.

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. Budget amendment #1 adversely affected the projected ending fund balance in the amount of (\$314,961), and budget amendments #2 and #3 positively affected the projected ending fund balance in the amounts of \$21,176 and \$3,969, respectively. The main reason for the overall increase in budgeted revenues and expenditures relate to the carryover of Title I, Title II and Title VI funds along with a one-time state aid MPSERS deposit totaling approximately \$457,000 not included in the original budget.

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)
2017-2018	22,728,452	22,985,376	1,397,969	2,289	(74)

In General Fund operations, the total revenue was approximately \$22,717,000. This is above the original budgeted revenues of approximately \$22,423,000 and below the final amended budgeted revenues of approximately \$22,907,000, a variance of approximately -1%. The actual expenditures of the General Fund operations were approximately \$22,985,000. This is above the original budget of approximately \$22,652,000 and below the final budget of approximately \$23,397,000, a variance of approximately -2%.

The major reason for total revenues exceeding the originally budgeted revenue is a result of one-time revenues that were unknown in amount at the time of budget adoption that were later realized during the school year. These revenues consisted mainly of state aid funding relating to the Michigan Public School Employees' Retirement System ("MPSERS"). 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, 2018. Actual expenditures were comparable with the original budget, but were below the final budgeted expenditures as a result of unspent grant funds that are carried over for use after June 30, 2018, along with many cost saving efficiencies experienced during 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	\$ 22,985,376	84.9%
Nonmajor governmental funds	4,097,521	15.1%
Total	\$ 27,082,897	100%

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Governmental fund revenues totaled approximately \$26,682,000. Below is a summary of the governmental fund revenues by source and their percentages of total governmental funds:

	Revenues	Percentage
Local sources	\$ 7,427,476	27.8%
State sources	17,608,103	66.0%
Federal sources	1,520,369	5.7%
Other	126,106	0.5%
Total	\$ 26,682,054	100%

Unrestricted State Aid

The District is predominately funded by State aid based on a blended count formula that the State of Michigan utilizes. State aid membership counts were 2,289 and 2,363 for fiscal 2018 and 2017, respectively. The District experienced an overall increase in state funding of approximately \$18,000, despite declines in state funding that are linked directly to student counts, resulting from increases in categorical state funding in the areas of At Risk and MPERS funding.

Property Taxes

The District levies 18 mills of property taxes on all non-homestead property and 6 mills on commercial personal property located within the District for general fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the state equalized value, which is approximately 50% of the market value. The fiscal 2018 non-homestead and personal property tax levies totaled approximately \$4,008,000.

The District levied 4.00 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 2018 was approximately \$2,254,000.

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, Title II and At Risk programs assist students who are deemed to be at risk in the instructional process. For fiscal 2018, the District expended approximately \$664,000, \$85,000 and \$831,000 for the Title I, Title II and At Risk programs, respectively. In addition the District expended approximately \$660,000 of funding received from the U.S. Department of Agriculture to support the District's food service program.

Enrollment

The District's 2017-2018 blended enrollment totaled 2,289, which is a decrease of 74 students from the previous year. Escanaba Area Public Schools is located in Michigan's Upper Peninsula and is the second largest district in Michigan's upper peninsula.

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

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

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets. At June 30, 2018, the District had approximately \$52,549,000 invested in land and building, machinery and equipment, vehicles and buses. Approximately \$19,106,000 has been depreciated. Net book value totals approximately \$33,443,000. The years of construction of the District buildings and improvements ranges from 1931 to 2018. 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 out and the other building is currently being used for storage of 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. During the year ended June 30, 2018, the District expended approximately \$369,000 for capital asset additions including approximately \$147,000 for buildings and improvements, \$33,000 for machinery and equipment and \$189,000 for 2 buses.

Debt Administration. As of June 30, 2018, the District had approximately \$23,782,000 in bonds and bond premium outstanding from capital projects and approximately \$288,000 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.

During fiscal year 2018, the District entered into an installment purchase agreement for the purchase of 2 buses in the amount of approximately \$189,000. For more detailed information regarding capital assets and debt administration, please see 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 District's 2019 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 2017-2018, the blended count declined to 2,289 students. This was a reduction of 74 students in one year, and equates to approximately \$157,066 less in state foundation allowance. Enrollment is expected to continue to decline into the 2018-2019 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 2019 budget. The Board of Education achieved a balanced adopted budget for the fiscal year 2018-2019. The Board and Administration continue to develop a strategy to reduce spending while providing a quality education to Escanaba area students and maintain the long-term fiscal health of the District.

Requests For Information

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, 2018

Assets	
Cash and cash equivalents	\$ 4,773,869
Receivables	3,425,853
Other assets	41,206
Capital assets not being depreciated	720,597
Capital assets being depreciated, net	<u>32,722,407</u>
Total assets	<u>41,683,932</u>
Deferred outflows of resources	
Deferred loss on bond refunding	817,871
Deferred pension amounts	8,807,996
Deferred other postemployment benefit amounts	<u>849,460</u>
Total deferred outflows of resources	<u>10,475,327</u>
Liabilities	
Accounts payable and accrued liabilities	2,538,794
Unearned revenue	291,031
State aid anticipation notes payable	3,186,869
Long-term liabilities:	
Due within one year	2,256,918
Due in more than one year	23,143,537
Net pension liability	36,293,818
Net other postemployment benefit liability	<u>12,702,986</u>
Total liabilities	<u>80,413,953</u>
Deferred inflows of resources	
Deferred pension amounts	2,511,595
Deferred other postemployment benefit amounts	<u>420,078</u>
Total deferred inflows of resources	<u>2,931,673</u>
Net position	
Net investment in capital assets	10,190,815
Restricted for:	
Capital projects	180,522
Debt service	644,161
Food service	1,582
Unrestricted (deficit)	<u>(42,203,447)</u>
Total net position (deficit)	<u>\$ (31,186,367)</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, 2018

Functions/Programs	Expenses	Program Revenues		Net Expense
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 15,162,100	\$ -	\$ 986,385	\$ (14,175,715)
Supporting services	7,570,048	113,780	225,022	(7,231,246)
Community services	76,143	-	-	(76,143)
Food services	1,154,006	408,195	708,883	(36,928)
Interest on long-term debt	943,739	-	-	(943,739)
Unallocated depreciation	1,097,491	-	-	(1,097,491)
Total governmental activities	\$ 26,003,527	\$ 521,975	\$ 1,920,290	(23,561,262)
General revenues				
Property taxes - operations				4,128,282
Property taxes - debt service				2,254,275
State of Michigan aid - unrestricted				13,850,533
State of Michigan aid - restricted				3,708,777
Other				297,924
Total general revenues				24,239,791
Change in net position				678,529
Net position, beginning of year, as restated				(31,864,896)
Net position, end of year				\$ (31,186,367)

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, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,724,613	\$ 1,049,256	\$ 4,773,869
Accounts receivable	135,790	6,755	142,545
Due from other funds	8,245	-	8,245
Due from other governments	3,269,106	14,202	3,283,308
Other assets	-	41,206	41,206
Total assets	\$ 7,137,754	\$ 1,111,419	\$ 8,249,173
Liabilities			
Accounts payable	\$ 73,086	\$ 32,486	\$ 105,572
Salaries payable	1,187,720	-	1,187,720
Accrued liabilities	1,062,030	19,850	1,081,880
Due to other funds	-	8,245	8,245
Unearned revenues	230,080	60,951	291,031
State aid anticipation notes payable	3,186,869	-	3,186,869
Total liabilities	5,739,785	121,532	5,861,317
Fund balances			
Nonspendable for inventories	-	41,206	41,206
Restricted:			
Debt service	-	807,783	807,783
Assigned:			
Capital projects	-	180,522	180,522
Unassigned (deficit)	1,397,969	(39,624)	1,358,345
Total fund balances	1,397,969	989,887	2,387,856
Total liabilities and fund balances	\$ 7,137,754	\$ 1,111,419	\$ 8,249,173

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, 2018

Fund balances - total governmental funds	\$ 2,387,856
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	32,722,407
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	(24,070,060)
Deferred refunding loss	817,871
Accrued interest on bonds payable	(163,622)
Compensated absences and early retirement incentives payable	(1,330,395)
Certain pension and OPEB-related amounts, such as the net pension liability, net OPEB liability and related 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	(36,293,818)
Deferred outflows of resources related to the net pension liability	8,807,996
Deferred inflows of resources related to the net pension liability	(2,511,595)
Net other postemployment benefit liability	(12,702,986)
Deferred outflows related to the net other postemployment benefit liability	849,460
Deferred inflows related to the net other postemployment benefit liability	<u>(420,078)</u>
Net position of governmental activities	<u>\$ (31,186,367)</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, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 4,577,305	\$ 2,850,171	\$ 7,427,476
State sources	17,153,298	454,805	17,608,103
Federal sources	860,279	660,090	1,520,369
Other sources	126,106	-	126,106
Total revenues	22,716,988	3,965,066	26,682,054
Expenditures			
Current:			
Instructional services	15,033,866	-	15,033,866
Supporting services	7,741,191	-	7,741,191
Community services	75,485	-	75,485
Food services	-	1,150,409	1,150,409
Debt service:			
Principal	73,000	1,795,000	1,868,000
Interest and fiscal charges	61,834	1,024,448	1,086,282
Capital outlay	-	127,664	127,664
Total expenditures	22,985,376	4,097,521	27,082,897
Revenues over (under) expenditures	(268,388)	(132,455)	(400,843)
Other financing sources (uses)			
Proceeds from issuance of installment debt	188,724	-	188,724
Transfers in	11,464	2,819,448	2,830,912
Transfers out	-	(2,830,912)	(2,830,912)
Total other financing sources (uses)	200,188	(11,464)	188,724
Net changes in fund balances	(68,200)	(143,919)	(212,119)
Fund balances, beginning of year	1,466,169	1,133,806	2,599,975
Fund balances, end of year	\$ 1,397,969	\$ 989,887	\$ 2,387,856

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, 2018

Net change in fund balances - total governmental funds \$ (212,119)

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. In addition, donated capital assets and gains on disposal of capital assets are not reported in the governmental funds.

Capital assets purchased/constructed	368,656
Depreciation expense	(1,097,491)

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 debt principal is an expenditure in the governmental funds, but a reduction in long-term debt or in the statement of net position.

Principal payments on long-term debt	1,868,000
Proceeds from issuance of long-term debt	(188,724)

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.

Amortization of bond premium, deferred refunding losses, and change in accrued interest	142,545
Change in accrual for compensated absences	(39,539)
Change in net pension liability and related deferred amounts	(239,491)
Change in the net other postemployment benefit liability and related deferred amounts	76,692

Change in net position of governmental activities	<u>\$ 678,529</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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 4,281,227	\$ 4,583,708	\$ 4,577,305	\$ (6,403)
State sources	17,240,132	17,216,812	17,153,298	(63,514)
Federal sources	708,965	979,875	860,279	(119,596)
Other sources	193,166	126,270	126,106	(164)
Total revenues	22,423,490	22,906,665	22,716,988	(189,677)
Expenditures				
Current:				
Instructional services	14,548,216	15,126,743	15,033,866	(92,877)
Supporting services:				
Instructional support services	2,486,483	2,438,597	2,333,685	(104,912)
Office of the principal	1,278,182	1,256,158	1,238,990	(17,168)
District support services	851,684	938,139	882,887	(55,252)
Operations and maintenance	1,559,177	1,560,742	1,494,573	(66,169)
Pupil transportation	1,359,021	1,374,338	1,339,663	(34,675)
Athletics	398,410	470,990	451,393	(19,597)
Community services	38,666	96,100	75,485	(20,615)
Debt service:				
Principal	73,000	73,000	73,000	-
Interest and fiscal charges	59,193	61,861	61,834	(27)
Total expenditures	22,652,032	23,396,668	22,985,376	(411,292)
Revenues over (under) expenditures	(228,542)	(490,003)	(268,388)	221,615
Other financing sources (uses)				
Transfers in	39,818	11,464	11,464	-
Proceeds from issuance of installment debt	188,724	188,724	188,724	-
Total other financing sources	228,542	200,188	200,188	-
Net change in fund balance	-	(289,815)	(68,200)	221,615
Fund balance, beginning of year	1,466,169	1,466,169	1,466,169	-
Fund balance, end of year	\$ 1,466,169	\$ 1,176,354	\$ 1,397,969	\$ 221,615

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

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ESCANABA AREA PUBLIC SCHOOLS

Statement of Fiduciary Net Position Fiduciary Funds June 30, 2018

	Private Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents	\$ 401,326	\$ 202,172
Interest receivable	9,181	-
Investments - at fair value:		
Corporate bonds	257,073	-
Common stocks	1,760,500	-
Mutual funds	3,437,999	-
Real estate exchange traded funds	375,110	-
Total investments	<u>5,830,682</u>	<u>-</u>
Total assets	<u>\$ 6,241,189</u>	<u>\$ 202,172</u>
Liabilities		
Due to student groups	-	202,172
Total liabilities	<u>-</u>	<u>\$ 202,172</u>
Net position restricted for scholarships	<u>\$ 6,241,189</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, 2018

	Private Purpose Trusts
Additions	
Contributions	\$ 165,295
Investment income:	
Interest and dividends	150,648
Net increase in fair value of investments	<u>367,944</u>
Total investment income	<u>518,592</u>
Total additions	<u>683,887</u>
Deductions	
Scholarships and trophies	382,437
Trustee fees	<u>35,888</u>
Total deductions	<u>418,325</u>
Change in net position	265,562
Net position, beginning of year	<u>5,975,627</u>
Net position, end of year	<u><u>\$ 6,241,189</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 non-fiduciary 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, 2018.

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. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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 of the District, except for those accounted for and reported in another fund.

Additionally, the District reports the following fund types:

The *special revenue fund* is 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.

The *capital projects fund* is 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.

The effect of interfund activity has been eliminated from the District-wide financial statements.

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 and Payables

The District follows the practice of recording as receivables revenues that have been earned but not yet received as receivables at year end. 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 uncollectible accounts.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). There were no interfund advances outstanding at June 30, 2018.

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 where actual cost information is not available. 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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

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 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 deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension and net other postemployment benefit plans as well as for the deferred loss on refunding. A deferred refunding loss 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. A portion of the the deferred outflows of resources represents contributions to the plans subsequent to the measurement date of the plans.

Salaries Payable and Other Accrued Liabilities

Salaries payable is recorded at June 30, 2018 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.

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.

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 District's deferred inflows of resources are related to pension and net other postemployment benefit costs.

Fund Balances

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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Property Taxes

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2018 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.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefit, and pension and other postemployment benefit 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.

The most sensitive accounting estimates affecting the financial statements include management's estimate of the useful lives of depreciable capital assets, management's estimate of the accrued compensated absences, and management's estimate of the net pension and OPEB liabilities and related deferred amounts.

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 76% of the District's general fund revenue during the 2018 fiscal year.

3. DEFICIT NET POSITION

Governmental activities reported a deficit in unrestricted net position in the amount of \$42,203,447 at June 30, 2018. Total net position amounted to a deficit of \$31,186,367.

4. BUDGETARY INFORMATION

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The general and special revenue funds are 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.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. 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.

5. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2018:

	Totals
Statement of Net Position	
Cash and cash equivalents	\$ 4,773,869
Statement of Fiduciary Net Position	
Private Purpose Trusts:	
Cash and cash equivalents	401,326
Investments	5,830,682
Agency Funds:	
Cash and cash equivalents	<u>202,172</u>
Total	<u>\$ 11,208,049</u>
Deposits and investments	
Bank deposits (checking accounts, savings accounts)	\$ 2,862,442
Pooled investments	2,513,825
Investments in securities and mutual funds:	
Corporate bonds	257,073
Common stocks	1,760,500
Mutual funds	3,437,999
Real estate exchange traded funds	375,110
Cash on hand	<u>1,100</u>
Total	<u>\$ 11,208,049</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Michigan law authorizes the District to deposit and invest in:

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

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

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

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

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

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

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

Investment and Deposit Risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$2,303,747 of the District's bank balance of \$2,716,159 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. The investments held by the District are not exposed to custodial credit risk since they are held in the counterparty's trust department in the District's name.

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Notes to Financial Statements

Credit Risk. State law limits investments as listed above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. As of June 30, 2018, the District's investments were rated by Standard and Poor's as follows:

Rating	Fair Value
Not rated	\$ 5,573,609
S&P A	51,550
S&P A+	102,477
S&P AA-	77,210
S&P AA	25,836
S&P AAm	<u>2,513,825</u>
Total	<u>\$ 8,344,507</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. The dollar weighted average days to maturity (WAM) of Michigan CLASS is 46 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life of MICHIGAN CLASS is 68 days. Maturity dates for investments held at year-end are summarized as follows:

Years to Maturity	Fair Value
No maturity	\$ 5,573,609
Less than one year	2,565,401
1 - 5 Years	<u>205,497</u>
Total	<u>\$ 8,344,507</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.

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Notes to Financial Statements

At June 30, 2018, the District categorized fair value measurement of investments within the fair value hierarchy as follows:

Investment Type	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 3,437,999	\$ -	\$ -	\$ 3,437,999
Common stocks	1,760,500	-	-	1,760,500
Real estate exchange traded funds	375,110	-	-	375,110
Corporate bonds	257,073	-	-	257,073
Total	\$ 5,830,682	\$ -	\$ -	5,830,682
MI Class investment pool				<u>2,513,825</u>
Total investments at fair value				<u>\$ 8,344,507</u>

The District's level one investments are valued using quoted prices in active markets for identical assets. The MI CLASS investment is valued at fair value but in accordance with GASB 79 this type of investment is not required to be presented within the fair value hierarchy. The District has made no changes to its valuation techniques during fiscal 2018.

6. RECEIVABLES

Receivables are 96% due from other governments and 4% due from customers.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2018, are comprised of the following:

	Amount
Payroll and other related benefits	\$ 2,269,600
Accrued interest payable	163,622
Accounts payable	85,618
Tax tribunal payable	<u>19,954</u>
Total accounts payable and accrued liabilities	<u>\$ 2,538,794</u>

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, 2018, the Food Service Fund had an outstanding payable to the General Fund for approximately \$8,000.

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Notes to Financial Statements

For the year ended June 30, 2018, interfund transfers consisted of the following:

	Transfers in	Transfers out
General Fund	\$ 11,464	\$ -
Nonmajor Funds	2,819,448	2,830,912
	<u>\$ 2,830,912</u>	<u>\$ 2,830,912</u>

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. CAPITAL ASSETS

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

	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	47,467,849	147,061	-	-	47,614,910
Machinery and equipment	2,361,807	32,871	(5,603)	-	2,389,075
Vehicles and buses	1,699,010	188,724	(62,830)	-	1,824,904
	<u>51,528,666</u>	<u>368,656</u>	<u>(68,433)</u>	-	<u>51,828,889</u>
Less accumulated depreciation for:					
Buildings and improvements	(15,010,322)	(888,170)	-	-	(15,898,492)
Machinery and equipment	(1,624,457)	(119,677)	5,603	-	(1,738,531)
Vehicles and buses	(1,442,645)	(89,644)	62,830	-	(1,469,459)
	<u>(18,077,424)</u>	<u>(1,097,491)</u>	<u>68,433</u>	-	<u>(19,106,482)</u>
Total capital assets being depreciated, net	<u>33,451,242</u>	<u>(728,835)</u>	-	-	<u>32,722,407</u>
Governmental activities capital assets, net	<u>\$ 34,171,839</u>	<u>\$ (728,835)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,443,004</u>

Depreciation expense of \$1,097,491 is reported as unallocated in the statement of activities.

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Notes to Financial Statements

10. STATE AID ANTICIPATION NOTES PAYABLE

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

Short-term debt activity related to these notes for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
State aid anticipation notes payable	\$ 2,584,333	\$ 3,995,000	\$ (3,392,464)	\$ 3,186,869

The balance at June 30, 2018 includes accrued interest of \$44,726.

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 of the District consists of the following at June 30, 2018:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Installment Debt					
General obligation bonds	\$ 24,095,000	\$ -	\$ (1,795,000)	\$ 22,300,000	\$ 1,870,000
Installment purchase agreements	172,000	188,724	(73,000)	287,724	69,381
Total installment debt	26,073,570	188,724	(1,868,000)	22,587,724	1,939,381
Bond premium	1,713,622	-	(231,286)	1,482,336	231,286
Early retirement incentives and compensated absences	1,290,856	274,757	(235,218)	1,330,395	86,251
Total long-term liabilities	\$ 29,213,106	\$ 463,481	\$ (2,334,504)	\$ 25,400,455	\$ 2,256,918

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, 2018, 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 4.00% to 5.00%. \$ 17,835,000

\$6,565,000, 2016 refunding bonds, due in annual installments ranging from \$1,385,000 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%. 4,465,000

Premium on bonds 1,482,336

Total general obligation bonds 23,782,336

Installment Purchase Agreements

\$188,724, Installment purchase agreement for two buses, due in annual installments of \$39,960 through July 2022, plus interest charged at 1.95%. 188,724

\$168,570, Installment purchase agreement for two buses, due in annual installments of \$33,000 through March 2021, plus interest charged at 1.45%. 99,000

Total installment purchase agreements 287,724

24,070,060

Early retirement incentives 142,800

Compensated absences 1,187,595

Total long-term debt \$ 25,400,455

Early retirement incentives and accrued 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, 2018, 49 retirees were receiving or eligible to begin receiving the early retirement incentive, with \$36,000 being paid to these individuals during 2018. The total early retirement incentive liability at June 30, 2018 was \$142,800.

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 at June 30, 2018 was \$1,187,595.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The estimated debt service requirements on bonded debt for principal and interest to maturity as of June 30, 2018 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
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	1,795,000	584,050	2,379,050
2023-2027	9,245,000	1,658,300	10,903,300
2028-2030	3,620,000	180,650	3,800,650
Total	\$ 22,300,000	\$ 5,695,050	\$ 27,995,050

The estimated debt service requirements on installment purchase agreements for principal and interest to maturity as of June 30, 2018 are as follows:

Year Ending June 30,	Installment Purchase Agreements		
	Principal	Interest	Total
2019	\$ 69,381	\$ 5,014	\$ 74,395
2020	69,990	3,927	73,917
2021	70,711	2,728	73,439
2022	38,446	1,514	39,960
2023	39,196	766	39,962
Total	\$ 287,724	\$ 13,949	\$ 301,673

The debt service requirements for accrued compensated absences are dependent upon future employee retirements and terminations. Thus, future payments are unknown at June 30, 2018. Compensated absences and early retirement incentives are generally liquidated by the General Fund.

12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

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

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

Pension 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.

A 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.

Other Postemployment Benefits Provided

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

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

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Notes to Financial Statements

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

Contributions and Funded Status

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

Employer 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 22-year period for the 2017 fiscal year.

The table below summarizes pension contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 19.03%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 19.03%
Pension Plus	3.00% - 6.40%	16.61% - 18.40%
Pension Plus 2	6.20%	19.74%
Defined Contribution	0.00%	13.54% - 15.27%

Required contributions to the pension plan from the District were \$3,727,557 for the year ended June 30, 2018.

The table below summarizes OPEB contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	5.91% - 7.67%
Personal Healthcare Fund (PHF)	0.00%	5.69% - 7.42%

Required contributions to the OPEB plan from the District were \$900,666 for the year ended June 30, 2018.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

At June 30, 2018, the District reported a liability of \$36,293,818 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 2016. 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, 2017, the District's proportion was 0.14005%, which was an increase of 0.00283% from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$4,041,716. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 315,418	\$ 178,086	\$ 137,332
Changes in assumptions	3,976,276	-	3,976,276
Net difference between projected and actual earnings on pension plan investments	-	1,735,083	(1,735,083)
Changes in proportion and differences between employer contributions and proportionate share of contributions	958,540	598,426	360,114
	<u>5,250,234</u>	<u>2,511,595</u>	<u>2,738,639</u>
District contributions subsequent to the measurement date	3,557,762	-	3,557,762
Total	<u>\$ 8,807,996</u>	<u>\$ 2,511,595</u>	<u>\$ 6,296,401</u>

\$3,557,762 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 940,993
2020	1,464,818
2021	487,267
2022	<u>(154,439)</u>
Total	<u>\$ 2,738,639</u>

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Notes to Financial Statements

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

At June 30, 2018, the District reported a liability of \$12,425,644 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was 0.14032%.

For the year ended June 30, 2018, the District recognized OPEB expense of \$832,008. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 132,297	\$ (132,297)
Net difference between projected and actual earnings on OPEB plan investments	-	287,781	(287,781)
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,970	-	3,970
	<u>3,970</u>	<u>420,078</u>	<u>(416,108)</u>
District contributions subsequent to the measurement date	841,141	-	841,141
	<u>841,141</u>	<u>-</u>	<u>841,141</u>
Total	<u>\$ 845,111</u>	<u>\$ 420,078</u>	<u>\$ 425,033</u>

\$841,141 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ (100,626)
2020	(100,626)
2021	(100,626)
2022	(100,626)
2023	<u>(13,604)</u>
Total	<u>\$ (416,108)</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 and OPEB liabilities in the September 30, 2016 actuarial valuation were 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)	7.5%
Pension Plus plan (hybrid)	7.0%
OPEB plans	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5188 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.4744 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

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Notes to Financial Statements

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on 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 plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.60%	1.56%
Alternative investment pools	18.00%	8.70%	1.57%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	-0.10%	-0.01%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.00%	0.78%
Short-term investment pools	2.00%	-0.90%	-0.02%
	<u>100.00%</u>		5.45%
Inflation			<u>2.05%</u>
Investment rate of return			<u>7.50%</u>

Discount Rate

A discount rate of 7.5% was used to measure the total pension and OPEB liabilities (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 and OPEB plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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Notes to Financial Statements

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 47,278,774	\$ 36,293,818	\$ 27,045,186

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

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

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	\$ 14,554,020	\$ 12,425,644	\$ 10,619,319

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	\$ 10,522,850	\$ 12,425,644	\$ 14,586,133

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB 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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Payable to the Pension Plan

At June 30, 2018, the District reported a payable of \$436,801 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018.

Payable to the OPEB Plan

At June 30, 2018, the District reported a payable of \$131,875 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2018.

The net pension on OPEB liabilities as generally liquidated by the general fund.

13. SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS ("OPEB") PLAN

District Defined Benefit Life Insurance Plan

Plan Description. The District administers the Escanaba Area Public Schools Retiree Life Insurance Plan (the "Plan"), a single-employer defined benefit life insurance plan, that can be amended at the District's board members discretion. 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. 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 plan's funding policy is that the employer will make benefit payments from general operating funds on a pay-as-you-go basis. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves. For the year ended June 30, 2018, the District contributed \$37,994 to the Plan.

Membership of the Plan consisted of the following at June 30, 2018, 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

Actuarial Assumptions

The total OPEB liability was calculated as of June 30, 2018 by using roll forward procedures from an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, blended single equivalent discount rate
Amortization method	10-year, level percent of pay
Inflation	Not applicable
Salary increases	1.48%
Investment rate of return	N/A - plan is not pre-funded
20-year Aa Municipal bond rate	3.0%
Mortality	As set forth in IRS Regulations for 2018 (1.430(h)(3)), separately for males and females as well as annuitants and non-annuitants. Based on RP-2000 Tables with Scale AA.

Discount Rate -The discount rate used to measure the total OPEB liability was 3.0% for 2018 (3.1% for 2017). The Plan is funded on a pay-as-you-go basis, therefore, the AA municipal bond index of 3.0% was applied to all future periods.

Changes in Total OPEB liability

The components of the change in the total OPEB liability are summarized as follows:

	Fiscal Year Ending June 30, 2018
<i>Total OPEB Liability</i>	
Service cost	\$ 8,043
Interest	8,747
Difference between expected and actual experience	2,154
Change in assumptions	3,258
Benefit payments (including refunds of employee contributions)	<u>(37,994)</u>
Net change in total OPEB liability	(15,792)
Total OPEB liability - beginning of year	<u>293,134</u>
Total OPEB Liability - end of year	<u><u>\$ 277,342</u></u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$17,853. At June 30, 2018, the District reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 1,731
Changes in assumptions	<u>2,618</u>
	<u>\$ 4,349</u>

Amounts reported as deferred outflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount Recognized
2019	\$ 1,063
2020	1,063
2021	1,063
2022	1,063
2023	<u>97</u>
Total	<u>\$ 4,349</u>

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following presents the District's total OPEB liability calculated using the discount rate of 3.0%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (2.0%)	Current Trend Rate (3.0%)	1% Increase (4.0%)
District's total OPEB liability	\$ 254,142	\$ 277,342	\$ 303,952

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Sensitivity of the District's Total OPEB Liability to Healthcare Cost Trend Rate

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

	1% Decrease (2.0%)	Current Discount Rate (3.0%)	1% Increase (4.0%)
District's total OPEB liability	\$ 293,639	\$ 277,342	\$ 262,239

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	Nonmajor Governmental Funds	Total
Nonspendable			
Inventories	\$ -	\$ 41,206	\$ 41,206
Restricted			
Debt service	-	807,783	807,783
Assigned			
Capital projects	-	180,522	180,522
Unassigned (deficit)	<u>1,397,969</u>	<u>(39,624)</u>	<u>1,358,345</u>
Total fund balances governmental funds	<u>\$ 1,397,969</u>	<u>\$ 989,887</u>	<u>\$ 2,387,856</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

15. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2018, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 720,597
Capital assets being depreciated, net	<u>32,722,407</u>
	<u>33,443,004</u>
Related debt:	
Bonds and installment purchase agreements	(22,587,724)
Premiums on bonds payable	(1,482,336)
Deferred charge on bond refunding	<u>817,871</u>
	<u>(23,252,189)</u>
Net investment in capital assets	<u>\$ 10,190,815</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, 2018.

17. RESTATEMENT

The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by \$12,352,593.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

18. SUBSEQUENT EVENT

In August 2018, the District borrowed \$3,995,000 on state aid anticipation notes with effective interest charged from 1.75% to 2.50% maturing in July and August 2019.



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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	2018
District's proportionate share of the net pension liability	\$ 29,492,376	\$ 34,115,831	\$ 36,293,818	\$ 36,293,818
District's proportion of the net pension liability	0.13389%	0.13968%	0.14288%	0.14005%
District's covered payroll	\$ 12,089,451	\$ 12,316,387	\$ 12,196,742	\$ 11,550,184
District's proportionate share of the net pension liability as a percentage of its covered payroll	243.95%	277.00%	292.27%	314.23%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%	63.27%	64.21%

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 the District's Pension Contributions

	Year Ended June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 3,140,498	\$ 3,271,804	\$ 3,244,186	\$ 3,727,557
Contributions in relation to the contractually required contribution	<u>(3,140,498)</u>	<u>(3,271,804)</u>	<u>(3,244,186)</u>	<u>(3,727,557)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,406,912	\$ 12,667,478	\$ 12,002,957	\$ 11,697,921
Contributions as a percentage of covered payroll	25.31%	25.83%	27.03%	31.87%

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 the District's Proportionate Share of the Net Other Postemployment Benefit Liability

	Year Ended June 30, 2018
District's proportion of the net OPEB liability	\$ 12,425,644
District's proportionate share of the net OPEB liability	0.14032%
District's covered payroll	\$ 11,550,184
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	107.58%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%

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

Note: GASB 75 was implemented in fiscal year 2018. 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 the District's Other Postemployment Benefit Contributions

	Year Ended June 30, 2018
Statutorily required contribution	\$ 900,666
Contributions in relation to the statutorily required contribution	<u>(900,666)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered payroll	\$ 11,697,921
Contributions as a percentage of covered payroll	7.70%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information

Single Employer Defined Benefit Life Insurance Plan - Other Post Employment Benefit (OPEB) Plan

Schedule of Changes in the Total OPEB Liability and Related Ratios

	Fiscal Year Ending June 30, 2018
<i>Total OPEB Liability</i>	
Service Cost	\$ 8,043
Interest	8,747
Difference between expected and actual experience	2,154
Change in assumptions	3,258
Benefit payments (including refunds of employee contributions)	<u>(37,994)</u>
Net change in total OPEB liability	(15,792)
Total OPEB liability, beginning of year	<u>293,134</u>
Total OPEB Liability, end of year	<u>277,342</u>
Covered-employee payroll	Not Avail.
Total OPEB liability as percentage of covered-employee payroll	Not Avail.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information

Single Employer Defined Benefit Life Insurance Plan - Other Post Employment Benefit (OPEB) Plan

Schedule of Employer Contributions

	2018
Actuarially determined employer contribution	\$ 38,627
Employer contribution	<u>(37,994)</u>
contribution deficiency/excess)	<u>\$ 633</u>
Covered-employee payroll	Not Avail.
Contribution as a percentage of covered-employee payroll	Not Avail.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to the Schedule of Employer Contributions

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Methods:	
Cost method	Entry Age Normal (level percentage of compensation)
Asset valuation method	N/A, plan is not pre-funded
Amortization method	10-year, level percent of pay
Actuarial Assumptions:	
Discount rate	3.00%
Payroll inflation	1.48%
Mortality rates	2018 IRS 1.430(h) Annuitant and Non-annuitant (sex distinct tables)
Utilization	100% of eligible employees will elect coverage at retirement actual coverage used for non-active
Turnover rates	None

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information

Single Employer Defined Benefit Life Insurance Plan - Other Post Employment Benefit (OPEB) Plan

Retirement - see rates below

Age	Rates
50	0.50%
51-52	40%
53	30%
54-58	20%
59-61	25%
62-63	60%
64	70%
65	100%

Marital assumption - N/A; no spouse benefits

Inflation - 0% per annum

Monthly Premiums

	2017
Administrators and Supervisors	\$ 26.00
EEA	\$ 19.50
Teamsters and Non-union	\$ 16.90

Assumption changes since prior valuation

Discount rate changed from 3.1% to 3.0%

Updated mortality

Method change since prior valuation

Actuarial valuation method changed from projected unit credit to entry age normal, level percent of pay, with a salary increase assumption of 1.48%.

Concluded

**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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 3,919,711	\$ 4,111,935	\$ 4,127,771	\$ 15,836
Local restricted	-	7,769	4,995	(2,774)
Other local revenue	361,516	464,004	444,539	(19,465)
Total local sources	4,281,227	4,583,708	4,577,305	(6,403)
State sources:				
State aid unrestricted	13,344,309	13,448,960	13,444,521	(4,439)
State aid restricted	3,895,823	3,767,852	3,708,777	(59,075)
Total state sources	17,240,132	17,216,812	17,153,298	(63,514)
Federal sources	708,965	979,875	860,279	(119,596)
Other sources:				
Other restricted	193,166	126,270	126,106	(164)
Total revenues	22,423,490	22,906,665	22,716,988	(189,677)
Expenditures				
Current:				
Instruction:				
Salaries	6,982,524	6,955,429	6,870,162	(85,267)
Fringe benefits	5,797,944	6,017,741	6,081,944	64,203
Purchased services	145,132	262,847	198,557	(64,290)
Supplies and capital outlay	1,622,616	1,890,726	1,883,203	(7,523)
Total instruction	14,548,216	15,126,743	15,033,866	(92,877)

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Continued)				
Support services:				
Instructional support services:				
Salaries	\$ 1,134,924	\$ 1,046,760	\$ 1,054,926	\$ 8,166
Fringe benefits	781,631.0	791,996	756,643	(35,353)
Purchased services	216,946.0	274,680	204,507	(70,173)
Supplies	352,982.0	325,161	317,609	(7,552)
	<u>2,486,483.0</u>	<u>2,438,597</u>	<u>2,333,685</u>	<u>(104,912)</u>
Office of the Principal:				
Salaries	706,435.0	700,100	700,312	212
Fringe benefits	478,388.0	476,515	477,163	648
Purchased services	5,169.0	2,621	1,987	(634)
Supplies and capital outlay	88,190.0	76,922	59,528	(17,394)
	<u>1,278,182.0</u>	<u>1,256,158</u>	<u>1,238,990</u>	<u>(17,168)</u>
District support services:				
Salaries	382,918.0	327,483	326,769	(714)
Fringe benefits	173,643.0	221,528	225,444	3,916
Purchased services	257,548.0	273,524	221,521	(52,003)
Supplies and capital outlay	37,575.0	115,604	109,153	(6,451)
	<u>851,684.0</u>	<u>938,139</u>	<u>882,887</u>	<u>(55,252)</u>
Operations and maintenance:				
Salaries	206,576.0	199,574	188,312	(11,262)
Fringe benefits	177,397.0	153,982	168,581	14,599
Purchased services	634,602.0	644,615	626,503	(18,112)
Supplies and capital outlay	540,602.0	562,571	511,177	(51,394)
	<u>1,559,177</u>	<u>1,560,742</u>	<u>1,494,573</u>	<u>(66,169)</u>
Pupil transportation:				
Salaries	515,368	498,417	473,648	(24,769)
Fringe benefits	421,540	447,060	468,680	21,620
Purchased services	76,339	83,124	73,236	(9,888)
Supplies and capital outlay	345,774	345,737	324,099	(21,638)
	<u>1,359,021</u>	<u>1,374,338</u>	<u>1,339,663</u>	<u>(34,675)</u>
Athletics:				
Salaries	169,800	178,363	180,218	1,855
Fringe benefits	74,344	85,347	84,908	(439)
Purchased services	83,058	107,751	90,717	(17,034)
Supplies and capital outlay	71,208	99,529	95,550	(3,979)
	<u>398,410</u>	<u>470,990</u>	<u>451,393</u>	<u>(19,597)</u>
Total support services	<u>7,932,957</u>	<u>8,038,964</u>	<u>7,741,191</u>	<u>(297,773)</u>

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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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Concluded)				
Community services:				
Salaries	\$ 20,071	\$ 60,405	\$ 45,405	\$ (15,000)
Fringe benefits	10,578	14,534	22,935	8,401
Supplies and capital outlay	8,017	21,161	7,145	(14,016)
Total community services	<u>38,666</u>	<u>96,100</u>	<u>75,485</u>	<u>(20,615)</u>
Debt service:				
Principal	73,000	73,000	73,000	-
Interest and fiscal charges	59,193	61,861	61,834	(27)
Total debt service	<u>132,193</u>	<u>134,861</u>	<u>134,834</u>	<u>(27)</u>
Total expenditures	<u>22,652,032</u>	<u>23,396,668</u>	<u>22,985,376</u>	<u>(411,292)</u>
Revenues over (under) expenditures	<u>(228,542)</u>	<u>(490,003)</u>	<u>(268,388)</u>	<u>221,615</u>
Other financing sources (use)				
Transfers in	39,818	11,464	11,464	-
Installment proceeds for bus	188,724	188,724	188,724	-
Total other financing sources	<u>228,542</u>	<u>200,188</u>	<u>200,188</u>	<u>-</u>
Net change in fund balance	-	(289,815)	(68,200)	221,615
Fund balance, beginning of year	<u>1,466,169</u>	<u>1,466,169</u>	<u>1,466,169</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,466,169</u>	<u>\$ 1,176,354</u>	<u>\$ 1,397,969</u>	<u>\$ 221,615</u>

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ESCANABA AREA PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2018

	Special Revenue Fund	Capital Project Fund
	Food Service	Public Improvement
Assets		
Cash and cash equivalents	\$ -	\$ 241,473
Accounts receivable	6,755	-
Due from other governmental units	14,202	-
Other assets	41,206	-
	<u>41,206</u>	<u>-</u>
Total assets	<u>\$ 62,163</u>	<u>\$ 241,473</u>
Liabilities		
Accounts payable	\$ 32,486	\$ -
Due to other funds	8,245	-
Accrued liabilities	19,850	-
Unearned revenue	-	60,951
	<u>60,581</u>	<u>60,951</u>
Total liabilities	<u>60,581</u>	<u>60,951</u>
Fund balances		
Nonspendable for inventories	41,206	-
Restricted:		
Debt service	-	-
Assigned:		
Capital projects	-	180,522
Unassigned (deficit)	(39,624)	-
	<u>1,582</u>	<u>180,522</u>
Total fund balances	<u>1,582</u>	<u>180,522</u>
Total liabilities and fund balances	<u>\$ 62,163</u>	<u>\$ 241,473</u>



Debt Service Funds				
2001 Debt Retirement	2010 Debt Retirement	2014 Refunding Bonds	2016 Refunding Bonds	Total
\$ 272,560	\$ 535,223	\$ -	\$ -	\$ 1,049,256
-	-	-	-	6,755
-	-	-	-	14,202
-	-	-	-	41,206
<u>\$ 272,560</u>	<u>\$ 535,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,111,419</u>
\$ -	\$ -	\$ -	\$ -	\$ 32,486
-	-	-	-	8,245
-	-	-	-	19,850
-	-	-	-	60,951
-	-	-	-	121,532
-	-	-	-	41,206
272,560	535,223	-	-	807,783
-	-	-	-	180,522
-	-	-	-	(39,624)
<u>272,560</u>	<u>535,223</u>	<u>-</u>	<u>-</u>	<u>989,887</u>
<u>\$ 272,560</u>	<u>\$ 535,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,111,419</u>

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2018

	Special Revenue Fund	Capital Project Fund
	Food Service	Public Improvement
Revenues		
Local sources	\$ 408,328	\$ 178,508
State sources	48,793	-
Federal sources	660,090	-
	<u>1,117,211</u>	<u>178,508</u>
Total revenues		
Expenditures		
Current:		
Salaries	309,124	-
Fringe benefits	242,148	-
Food services	599,137	-
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
Capital outlay	-	127,664
	<u>1,150,409</u>	<u>127,664</u>
Total expenditures		
Revenues over (under) expenditures	<u>(33,198)</u>	<u>50,844</u>
Other financing sources (uses)		
Transfers in	-	-
Transfers out	-	(11,464)
	<u>-</u>	<u>(11,464)</u>
Total other financing sources (uses)		
Net changes in fund balances	(33,198)	39,380
Fund balances, beginning of year	<u>34,780</u>	<u>141,142</u>
Fund balances, end of year	<u>\$ 1,582</u>	<u>\$ 180,522</u>

Debt Service Funds				
2001 Refunding Bonds	2010 Debt Retirement	2014 Refunding Bonds	2016 Refunding Bonds	Total
\$ 1,301,274	\$ 962,061	\$ -	\$ -	\$ 2,850,171
233,457	172,555	-	-	454,805
-	-	-	-	660,090
<u>1,534,731</u>	<u>1,134,616</u>	-	-	<u>3,965,066</u>
-	-	-	-	309,124
-	-	-	-	242,148
-	-	-	-	599,137
-	-	410,000	1,385,000	1,795,000
-	-	759,700	264,748	1,024,448
-	-	-	-	127,664
-	-	<u>1,169,700</u>	<u>1,649,748</u>	<u>4,097,521</u>
<u>1,534,731</u>	<u>1,134,616</u>	<u>(1,169,700)</u>	<u>(1,649,748)</u>	<u>(132,455)</u>
-	-	1,169,700	1,649,748	2,819,448
<u>(1,649,748)</u>	<u>(1,169,700)</u>	-	-	<u>(2,830,912)</u>
<u>(1,649,748)</u>	<u>(1,169,700)</u>	<u>1,169,700</u>	<u>1,649,748</u>	<u>(11,464)</u>
(115,017)	(35,084)	-	-	(143,919)
<u>387,577</u>	<u>570,307</u>	-	-	<u>1,133,806</u>
<u>\$ 272,560</u>	<u>\$ 535,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 989,887</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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 464,211	\$ 416,390	\$ 408,328	\$ (8,062)
State sources	48,224	47,714	48,793	1,079
Federal sources	665,200	689,000	660,090	(28,910)
Total revenues	1,177,635	1,153,104	1,117,211	(35,893)
Expenditures				
Salaries	310,059	312,592	309,124	(3,468)
Fringe benefits	226,669	239,096	242,148	3,052
Food services	638,767	618,155	599,137	(19,018)
Total expenditures	1,175,495	1,169,843	1,150,409	(19,434)
Change in fund balance	2,140	(16,739)	(33,198)	(16,459)
Fund balance, beginning of year	34,780	34,780	34,780	-
Fund balance, end of year	\$ 36,920	\$ 18,041	\$ 1,582	\$ (16,459)

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ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Fiduciary Net Position Private Purpose Trust Funds - Scholarships June 30, 2018

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
Assets			
Cash and cash equivalents	\$ 90,835	\$ 310,491	\$ 401,326
Interest receivable	3,218	5,963	9,181
Investments:			
Corporate bonds	102,646	154,427	257,073
Common stocks	580,971	1,179,529	1,760,500
Mutual funds	963,969	2,474,030	3,437,999
Real assets	117,359	257,751	375,110
Total investments	<u>1,764,945.00</u>	<u>4,065,737.00</u>	<u>5,830,682</u>
Total assets (equal to net position restricted for scholarships)	<u>\$ 1,858,998</u>	<u>\$ 4,382,191</u>	<u>\$ 6,241,189</u>

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Changes in Fiduciary Net Position Private Purpose Trust Funds - Scholarships For the Year Ended June 30, 2018

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
Additions			
Contributions	\$ -	\$ 165,295	\$ 165,295
Investment income:			
Interest and dividends	45,424	105,224	150,648
Net increase in fair value of investments	118,755	249,189	367,944
Total investment income	<u>164,179</u>	<u>354,413</u>	<u>518,592</u>
Total additions	<u>164,179</u>	<u>519,708</u>	<u>683,887</u>
Deductions			
Scholarships and trophies	77,500	304,937	382,437
Trustee fees	<u>10,898</u>	<u>24,990</u>	<u>35,888</u>
Total deductions	<u>88,398</u>	<u>329,927</u>	<u>418,325</u>
Change in net position	75,781	189,781	265,562
Net position, beginning of year	<u>1,783,217</u>	<u>4,192,410</u>	<u>5,975,627</u>
Net position, end of year	<u>\$ 1,858,998</u>	<u>\$ 4,382,191</u>	<u>\$ 6,241,189</u>

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Net Position

Co-mingled Scholarships Fund
For the Year Ended June 30, 2018

	Net Position July 1, 2017	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	\$ 112,467	\$ -	\$ 3,010	\$ 3,180	\$ 3,949	\$ 10,139
Abrahamson Family	110,064	-	2,946	3,112	3,864	9,922
Adamini, Peter Memorial	10,908	-	292	308	383	983
Aronson, Arthur V. & Elin C.	117,974	-	3,157	3,335	4,142	10,634
Beauchamp, Grace Huston	15,433	-	413	436	542	1,391
Beck, Conrad D.	11,781	1,100	315	333	414	2,162
Bennets, Jeanee	13,232	-	354	374	465	1,193
Berhow, Rona Rae Memorial	1,119	1,000	30	32	39	1,101
Berndt, Sherry	44,799	1,000	1,199	1,267	1,573	5,039
Bero, Willard & Joyce	56,956	-	1,524	1,610	2,000	5,134
Bonifas, Catherine	117,373	-	3,141	3,318	4,121	10,580
Bosk, Robert & Olga	66,680	-	1,785	1,885	2,341	6,011
Brown, Ian & Laura Family	-	500	-	-	-	500
Calouette, John A. Memorial	11,173	-	299	316	392	1,007
Class of 1963	62	-	2	2	2	6
Chernick, John Memorial	2,683	-	72	76	94	242
Class of 1959	30,331	863	812	858	1,065	3,598
Cohodas, Sam M.	9,442	-	253	267	332	852
Coplan Family Music	43,829	-	1,173	1,239	1,539	3,951
Coplan, BA Memorial	63,126	-	1,690	1,785	2,216	5,691
Cvengros, Jerry Memorial	6,312	-	169	178	222	569
Cunningham Family	9,775	-	262	276	343	881
Dagenais, Elmer & Phoebe	12,960	-	347	366	455	1,168
Diedrich, Louis	18,998	3,000	508	537	667	4,712
Derkos, Danny Memorial	11,145	1,000	298	315	391	2,004
Derouin, Dean	4,083	-	109	115	143	367
Dufour, Susan C. & Thomas D	7,735	-	207	219	272	698
Dunstone, Robert Memorial	4,799	60	128	136	168	492
Edick, Edward E.	11,551	-	309	327	406	1,042
Erickson/Breitenbach Wildlife	1,119	-	30	32	39	101
Escanaba Educational Trust	16,078	-	430	455	564	1,449
Fernstrom, Esther	9,702	-	260	274	341	875
Ferrari, Joan Hesse	11,891	-	318	336	417	1,071
Fontaine, Sally Stack	10,313	-	276	292	362	930
Fleming, Lawrence and Nina	16,510	-	442	467	580	1,489
Freidhoff, Steve Memorial	1,808	-	48	51	63	162
Gasman, John T.	1,058	-	28	30	37	95
Gessner, Charles H. Family	88,868	-	2,378	2,513	3,120	8,011
Gordon, Dr. E. James	281,082	-	7,523	7,947	9,869	25,339
Grab, George	33,000	-	883	933	1,159	2,975
Hansen, John Wesley Memorial	15,987	-	428	452	561	1,441
Haslow, Robert L. Memorial	5,823	-	156	165	204	525
Henslee, Forrest & Mary	26,365	6,600	706	745	926	8,977
Johnson, Bradley D.	69,055	-	1,848	1,952	2,424	6,224
Karkkainen, Melvin	3,013	1,000	81	85	106	1,272
Kirstin, Herbert & Irene	17,180	-	460	486	603	1,549
Klemmetsen/Rose Memorial	318,945	-	8,536	9,017	11,198	28,751
Koontz, John & Barbara Memorial	4,331	-	116	122	152	390
LaFave, Olive C.	36,338	-	973	1,027	1,276	3,276
Lemerand, Clarence & Della	396,403	-	10,609	11,207	13,918	35,734
Lindstrom, James	4,433	-	119	125	156	400
Louis, Frank B. & Mamie A.	144,665	-	3,872	4,090	5,079	13,041
McCotter, Delores	1,717	-	46	49	60	155
McDermott, Thomas Memorial	53,453	-	1,431	1,511	1,877	4,819

Deductions							
Scholarships and Trophies	Trustee Fees	Total Deductions	Change in Net Position	Net Position June 30, 2018	Accumulated Contributions to Fund	Remaining Balance	
\$ 4,295	\$ 715	\$ 5,010	\$ 5,129	\$ 117,596	\$ 104,000	\$ 13,596	
11,600	699	12,299	(2,377)	107,687	120,000	(12,313)	
500	69	569	414	11,322	8,510	2,812	
4,875	750	5,625	5,009	122,983	90,325	32,658	
700	98	798	593	16,026	10,000	6,026	
400	75	475	1,687	13,468	8,100	5,368	
600	84	684	509	13,741	11,898	1,843	
1,000	7	1,007	94	1,213	5,000	(3,787)	
2,050	286	2,336	2,703	47,502	32,376	15,126	
2,600	362	2,962	2,172	59,128	40,000	19,128	
5,400	746	6,146	4,434	121,807	50,000	71,807	
1,975	424	2,399	3,612	70,292	54,500	15,792	
-	-	-	500	500	500	-	
-	71	71	936	12,109	10,000	2,109	
-	-	-	6	68	1,500	(1,432)	
125	17	142	100	2,783	2,200	583	
1,200	194	1,394	2,204	32,535	27,570	4,965	
425	60	485	367	9,809	5,186	4,623	
3,375	279	3,654	297	44,126	25,000	19,126	
1,838	401	2,239	3,452	66,578	56,856	9,722	
-	40	40	529	6,841	5,665	1,176	
450	62	512	369	10,144	6,100	4,044	
-	82	82	1,086	14,046	11,800	2,246	
775	121	896	3,816	22,814	18,600	4,214	
-	71	71	1,933	13,078	11,050	2,028	
175	26	201	166	4,249	2,104	2,145	
350	49	399	299	8,034	5,170	2,864	
-	30	30	462	5,261	4,410	851	
525	73	598	444	11,995	5,507	6,488	
-	7	7	94	1,213	1,000	213	
1,225	102	1,327	122	16,200	11,603	4,597	
-	62	62	813	10,515	4,226	6,289	
550	76	626	445	12,336	8,695	3,641	
475	66	541	389	10,702	10,300	402	
750	105	855	634	17,144	10,000	7,144	
100	11	111	51	1,859	1,941	(82)	
100	7	107	(12)	1,046	1,115	(69)	
4,050	565	4,615	3,396	92,264	64,963	27,301	
8,812	1,786	10,598	14,741	295,823	218,131	77,692	
1,500	210	1,710	1,265	34,265	20,000	14,265	
725	102	827	614	16,601	11,250	5,351	
-	37	37	488	6,311	5,250	1,061	
-	168	168	8,809	35,174	32,896	2,278	
3,200	439	3,639	2,585	71,640	49,607	22,033	
1,000	24	1,024	248	3,261	9,000	(5,739)	
775	109	884	665	17,845	10,000	7,845	
14,083	2,027	16,110	12,641	331,586	232,350	99,236	
200	28	228	162	4,493	1,455	3,038	
1,600	231	1,831	1,445	37,783	20,000	17,783	
16,508	2,519	19,027	16,707	413,110	300,741	112,369	
200	28	228	172	4,605	4,100	505	
6,600	919	7,519	5,522	150,187	89,945	60,242	
-	11	11	144	1,861	1,500	361	
2,400	340	2,740	2,079	55,532	47,420	8,112	

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Net Position

Co-mingled Scholarships Fund
For the Year Ended June 30, 2018

	Net Position July 1, 2017	Additions				Total Additions
		Contributions	Interest and Dividends	Gain on Sale of Investments	Increase in Fair Value of Investments	
Investment accounts						
McKie, Donald	\$ 28,292	\$ -	\$ 757	\$ 800	\$ 993	\$ 2,550
McInerney, Dr. Thomas & Dr. Edna Memorial	73,563	-	1,969	2,080	2,583	6,632
Micensky, Robert	5,043	-	135	143	177	455
Milkiewicz, Stephen M.	5,574	-	149	158	196	503
Milkiewicz, Kim Ann	12,292	-	329	348	432	1,109
Molin, Jack and Class of 1944	40,274	-	1,078	1,139	1,414	3,631
Mroczkowski, Dale/ Fritolay	9	1,000	-	-	1	1,001
Nordberg, Carl A.	17,385	-	465	492	610	1,567
O'Donnell, Anne C.	31,781	-	851	899	1,116	2,866
Olson, Joanne Taylor	13,339	-	357	377	468	1,202
Owen, Robert A. & Ruth	34,564	-	925	977	1,214	3,116
Owens, Georgia Gibbs/ Irwin & Marge Gibbs	249,518	-	6,678	7,055	8,760	22,493
Peterson, Ken	1,952	-	52	55	69	176
Pfotenhauer/Gessner	13,700	-	367	387	481	1,235
Puckelwartz, William H.	31,387	-	840	887	1,102	2,829
Reade, H.W.	24,506	-	656	693	860	2,209
Ruwitch, George	36,650	-	981	1,036	1,287	3,304
Saykly, Josephine	11,943	-	320	338	419	1,077
Schram, Dick Memorial	14,196	-	380	401	498	1,279
St. Louis, Maria, George & Stanley	386,246	-	10,338	10,920	13,561	34,819
St. Pierre, Mary	5,065	-	136	143	178	457
Stein, Daniel	49,557	-	1,326	1,401	1,740	4,467
Taylor, Francis & Nancy	133,478	-	3,572	3,774	4,686	12,032
Taylor, Al Family	137,200	230	3,672	3,879	4,817	12,598
Taylor, Naomi Memorial	36,561	25,255	979	1,033	1,284	28,551
Timmer, Gene	3,486	-	93	99	122	314
VanEffen, William J.	7,775	-	208	220	273	701
Wylie, Henry	4,161	-	111	118	146	375
Young, A.J.	26,104	-	699	738	916	2,353
	<u>3,931,528</u>	<u>42,608</u>	<u>105,224</u>	<u>111,155</u>	<u>138,034</u>	<u>397,021</u>
Cash accounts						
Wickman/Addison, Ruth	6,428	4,563	-	-	-	4,563
Felton, Oliver	3,652	5,554	-	-	-	5,554
Hirn, Robert & Elva	179,346	67,578	-	-	-	67,578
Kintziger, Louis J.	5,599	3,417	-	-	-	3,417
Maki, Arnie & Violet	15,867	9,749	-	-	-	9,749
Sackerson, Edward J.	12,812	-	-	-	-	-
Miscellaneous contributions	37,178	31,826	-	-	-	31,826
	<u>260,882</u>	<u>122,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,687</u>
Total	<u>\$ 4,192,410</u>	<u>\$ 165,295</u>	<u>\$ 105,224</u>	<u>\$ 111,155</u>	<u>\$ 138,034</u>	<u>\$ 519,708</u>

Deductions						
Scholarships and Trophies	Trustee Fees	Total Deductions	Change in Net Position	Net Position June 30, 2018	Accumulated Contributions to Fund	Remaining Balance
\$ 663	\$ 180	\$ 843	\$ 1,707	\$ 29,999	\$ 24,176	\$ 5,823
3,200	467	3,667	2,965	76,528	50,000	26,528
225	32	257	198	5,241	4,155	1,086
250	35	285	218	5,792	8,500	(2,708)
550	78	628	481	12,773	2,600	10,173
1,850	256	2,106	1,525	41,799	29,644	12,155
1,000	-	1,000	1	10	5,000	(4,990)
800	110	910	657	18,042	11,562	6,480
750	202	952	1,914	33,695	21,005	12,690
600	85	685	517	13,856	10,000	3,856
825	220	1,045	2,071	36,635	25,000	11,635
5,525	1,586	7,111	15,382	264,900	153,755	111,145
100	12	112	64	2,016	1,500	516
670	87	757	478	14,178	10,000	4,178
1,440	199	1,639	1,190	32,577	12,962	19,615
1,125	156	1,281	928	25,434	10,150	15,284
1,650	233	1,883	1,421	38,071	28,096	9,975
550	76	626	451	12,394	10,000	2,394
650	90	740	539	14,735	10,090	4,645
15,413	2,454	17,867	16,952	403,198	234,975	168,223
225	32	257	200	5,265	4,164	1,101
2,250	315	2,565	1,902	51,459	35,000	16,459
5,942	848	6,790	5,242	138,720	100,000	38,720
5,942	872	6,814	5,784	142,984	100,230	42,754
840	232	1,072	27,479	64,040	50,255	13,785
150	22	172	142	3,628	2,814	814
350	49	399	302	8,077	5,000	3,077
200	26	226	149	4,310	2,708	1,602
1,200	166	1,366	987	27,091	9,900	17,191
<u>165,021</u>	<u>24,990</u>	<u>190,011</u>	<u>207,010</u>	<u>4,138,538</u>	<u>2,874,656</u>	<u>1,263,882</u>
4,025	-	4,025	538	6,966	30,889	6,966
7,275	-	7,275	(1,721)	1,931	28,215	1,931
67,458	-	67,458	120	179,466	331,219	179,466
4,625	-	4,625	(1,208)	4,391	20,112	4,391
8,433	-	8,433	1,316	17,183	51,207	17,183
5,000	-	5,000	(5,000)	7,812	20,000	7,812
43,100	-	43,100	(11,274)	25,904	162,338	25,904
<u>139,916</u>	<u>-</u>	<u>139,916</u>	<u>(17,229)</u>	<u>243,653</u>	<u>643,980</u>	<u>243,653</u>
<u>\$ 304,937</u>	<u>\$ 24,990</u>	<u>\$ 329,927</u>	<u>\$ 189,781</u>	<u>\$ 4,382,191</u>	<u>\$ 3,518,636</u>	<u>\$ 1,507,535</u>

Concluded

ESCANABA AREA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Assets				
Cash and cash equivalents	\$ 166,186	\$ 402,594	\$ (366,608)	\$ 202,172
Liabilities				
Due to student activities	166,186	402,594	(366,608)	202,172
Total liabilities	\$ 166,186	\$ 402,594	\$ (366,608)	\$ 202,172
The balances due to student activities consist of the following:				
Upper Elementary				
Interest	\$ 37	\$ 52	\$ -	\$ 89
Parents as partners	18	-	-	18
Library fund	542	4,318	(3,291)	1,569
Pop fund	210	212	(132)	290
Working account	614	2,884	(2,870)	628
Student council	31	-	-	31
4th grade	2,749	11,449	(11,675)	2,523
5th grade	851	4,363	(4,262)	952
Middle School 6-1	841	8,943	(9,110)	674
Middle School special ed	25	-	-	25
Drama	(107)	-	-	(107)
Total Upper Elementary	5,811	32,221	(31,340)	6,692
Elementary	6,177	12,665	(14,293)	4,549
Senior High Activities				
Publications	6,200	2,710	(298)	8,612
Activities	831	3,323	(3,207)	947
Prior Classes	16,483	12,230	(10,219)	18,494
Music	29,709	76,897	(70,968)	35,638
Clubs	16,899	30,769	(28,136)	19,532
General	25,848	90,785	(77,678)	38,955
Concessions	5,177	94	(5,472)	(201)
Total Senior High Activities	101,147	216,808	(195,978)	121,977

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Athletic Camps				
Boys basketball	\$ 8,162	\$ 10,504	\$ (9,366)	\$ 9,300
Cheerleading	1,986	14,183	(11,886)	4,283
Cross country	961	1,916	(1,978)	899
Football	18,119	23,648	(31,161)	10,606
Girls basketball	1,183	10,575	(5,658)	6,100
Golf	4,282	9,393	(7,851)	5,824
Boy's tennis	2,501	7,277	(1,592)	8,186
Girl's tennis	113	77	-	190
Boy's Track	655	4,733	(4,299)	1,089
Volleyball	1,792	3,219	(3,228)	1,783
Wrestling	572	476	(476)	572
Baseball	61	301	(301)	61
Girls softball	1,351	10,704	(7,576)	4,479
Girl's Track	141	2,274	(1,730)	685
Sideline cheer	1,129	12,354	(8,660)	4,823
Total Athletic Camps	43,008	111,634	(95,762)	58,880
Junior High Activities				
Interest	3	-	-	3
Student Council	707	-	(600)	107
The Man's Club	1,516	1,100	(1,298)	1,318
Challenge Day	1,281	-	(1,271)	10
Working Account	517	79	(479)	117
Builders Club	755	3,530	(3,635)	650
7th Grade 7-1	166	-	-	166
8th Grade 8-1	460	-	-	460
Concession	614	2,999	(3,111)	502
JH Yearbook	1,186	2,536	(2,400)	1,322
JH Competitive Cheer	21	-	-	21
Band	2,817	18,872	(15,837)	5,852
JH Art Club	-	150	(604)	(454)
Total Junior High Activities	10,043	29,266	(29,235)	10,074
Total	\$ 166,186	\$ 402,594	\$ (366,608)	\$ 202,172

Concluded

OTHER INFORMATION (UNAUDITED)

ESCANABA AREA PUBLIC SCHOOLS

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

For the Year Ended June 30, 2018

	Taxable Valuation	Per \$1,000 Valuation	Tax Levy
General Fund (on homestead taxable valuation only)			
City of Escanaba	\$156,481,689	6-18 mills	\$ 2,647,881
Wells Township (Delta County)	45,866,290	6-18 mills	807,586
Ford River Township	20,368,329	6-18 mills	365,077
Cornell Township	8,492,104	6-18 mills	152,737
Wells Township (Marquette County)	<u>2,047,302</u>	6-18 mills	<u>35,495</u>
Total General Fund	<u><u>\$233,255,714</u></u>	6-18 mills	<u><u>\$ 4,008,776</u></u>
2010 Debt Retirement Fund (on total taxable valuation)			
City of Escanaba	\$295,614,781	1.7 mills	\$ 502,545
Wells Township (Delta County)	173,780,424	1.7 mills	295,427
Ford River Township	66,346,493	1.7 mills	112,789
Cornell Township	22,639,835	1.7 mills	38,488
Wells Township (Marquette County)	<u>2,741,152</u>	1.7 mills	<u>4,660</u>
Total 2010 Debt Retirement Fund	<u><u>\$561,122,685</u></u>	1.7 mills	<u><u>\$ 953,909</u></u>
2001 Debt Retirement Fund (on total taxable valuation)			
City of Escanaba	\$295,614,781	2.3 mills	\$ 679,914
Wells Township (Delta County)	173,780,424	2.3 mills	399,695
Ford River Township	66,346,493	2.3 mills	152,597
Cornell Township	22,639,835	2.3 mills	52,072
Wells Township (Marquette County)	<u>2,741,152</u>	2.3 mills	<u>6,305</u>
Total 2001 Debt Retirement Fund	<u><u>\$561,122,685</u></u>	2.3 mills	<u><u>\$ 1,290,583</u></u>

SINGLE AUDIT ACT COMPLIANCE

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

October 12, 2018

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Escanaba Area Public Schools* (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 12, 2018, 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, 2018

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	\$ 100,913
National school lunch - breakfast	10.553	MDE	181970	91,156
National school lunch	10.555	MDE	171960	473,648
National school lunch	10.555	MDE	181960	407,814
Summer food service program - operating	10.559	MDE	170900	19,942
Summer food service program - operating	10.559	MDE	180900	4,956
Summer food service program - administrative	10.559	MDE	171900	3,158
Summer food service program - administrative	10.559	MDE	181900	520
Non-cash assistance:				
Entitlement commodities	10.555	MDE	-n/a-	81,937
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	181530-1718	695,339
Title I, Part A - Improving Basic Programs	84.010	GLAS	181530-1718	3,249
Indian Education 17/18	84.060A	Direct	-n/a-	36,111
Special Education Cluster:				
Special Education - Flowthrough 2018	84.027	DSISD	180450-1718	25,000
Title II, Part A - Improving Teacher Quality	84.367	MDE	180520-1718	154,938
Title II, Part A - Improving Teacher Quality	84.367	MDE	170520-1617	285,420
Title IV, Part A - SSAE	84.424	MDE	180750-1718	10,000
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	180660-1718	53,361
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Medicaid Cluster:				
Medicaid Outreach	93.778	DSISD	-n/a-	4,313
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2017	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2018	Accrued (Unearned) Revenue June 30, 2018
\$ -	\$ 8,461	\$ 92,452	\$ 8,461	\$ -
-	91,156	-	91,156	-
-	48,662	424,986	48,662	-
-	407,814	-	407,814	-
4,927	19,942	4,927	15,015	-
-	-	-	4,956	4,956
515	2,084	515	1,569	-
-	-	-	520	520
-	81,937	-	81,937	-
5,442	660,056	522,880	660,090	5,476
36,541	38,882	593,200	2,341	-
-	505,284	-	658,598	153,314
-	3,249	-	3,249	-
36,541	547,415	593,200	664,188	153,314
-	36,111	-	36,111	-
-	25,000	-	25,000	-
-	84,262	-	52,504	(31,758)
23,699	56,156	228,906	32,457	-
23,699	140,418	228,906	84,961	(31,758)
-	9,164	-	9,164	-
25,008	25,008	57,307	-	-
-	2,121	-	36,542	34,421
25,008	27,129	57,307	36,542	34,421
85,248	785,237	879,413	855,966	155,977
-	4,313	-	4,313	-
\$ 90,690	\$ 1,449,606	\$ 1,402,293	\$ 1,520,369	\$ 161,453

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

Reconciliation to grant section auditors' report

Current payments per the grant auditor report \$ 1,298,996

Plus:

Medicaid Outreach	4,313
Title I amounts passed through Gladstone Area Public School District	3,249
Entitlement and bonus commodities	81,937
Special Education - Flowthrough 2018	25,000
Direct award from Department of Education	<u>36,111</u>

Total current year cash receipts per schedule of expenditures of federal awards \$ 1,449,606

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, 2018. 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. 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
DSISD	Delta-Schoolcraft Intermediate School District



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

October 12, 2018

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

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, the major fund, and the aggregate remaining fund information of *Escanaba Area Public Schools* (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 12, 2018.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Lobson LLC

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

October 12, 2018

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 of the District's major federal program for the year ended June 30, 2018. 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 program.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on The Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

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

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

Identification of a major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A - Improving Basic Programs

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

Auditee qualified as low-risk auditee? X yes _____ no

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

No financial statement findings.

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings or questioned costs.

ESCANABA AREA PUBLIC SCHOOLS

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2018

No findings in the prior year.

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