

**ECORSE PUBLIC SCHOOLS**

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**FINANCIAL REPORT  
WITH SUPPLEMENTAL  
INFORMATION**

**JUNE 30, 2016**

**FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION**

**JUNE 30, 2016**

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# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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LARRY WILKERSON, C.P.A.  
THOMAS E. WILKERSON, C.P.A.

## Independent Auditor's Report

To the Board of Directors  
Ecorse Public Schools

### **Report on Financial Statements**

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. 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 evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Members: A.I.C.P.A. and M.I.C.P.A.**

To the Board of Directors  
Ecorse Public Schools

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Ecorse Public Schools as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as identified 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 Government Auditing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Ecorse Public School's basic financial statements. The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances – special revenue funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual 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 nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors  
Ecorse Public Schools

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, on our consideration of Ecorse Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ecorse Public School's internal control over financial reporting and compliance.

*Wilkinson & Associate PC*

October 27, 2016

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016

Ecorse Public Schools (the "School District"), a K-12 school district located in Wayne County, Michigan, is in its eight-year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). As management of the School District, we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in this report.

### Financial Highlights

- The liabilities of the School District exceeded its assets at the close of the most recent fiscal year by \$41,491,313. In addition, net unrestricted assets amounted to a negative \$1,685,720. Net assets of \$1,251,052 are restricted for debt service. Capital assets net of related debt amounts to a negative \$34,781,660. Net pension liability amounts to a negative \$9,646,424.
- The School District's total net assets increased by \$1,112,377 during the year.
- As of the close of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$3,104,657 an increase of \$837,102 in comparison with the previous year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was a surplus of \$1,535,354 or approximately 11.03% of total expenditures.

The School District's total debt increased by \$202,765 during the current fiscal year. The key factor in this increase was the additional borrowings netted by subsequent payments. There was \$2,031,239 in borrowings and payments of \$1,775,000, excluding interest, from the School Loan Fund and the School Bond Loan Revolving Fund.

There was a \$754,032 increase in general fund revenues and the School District's general fund revenue exceeded expenditures by \$916,300.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-Wide Financial Statements.** The district-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016

The Statement of Activities presents information showing how the School District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the district-wide financial statements distinguish functions of the School District that are principally supported by state school aid and property taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services and related activities. The School District does not have any business-type activities.

The district-wide financial statements can be found on pages 12-13 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School District maintains four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Debt Service Fund, both of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The School District adopted an annual appropriated budget for its General Fund and Athletic Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

Enterprise funds are used to report the same functions presented as business-type activities in the district-wide financial statements. The School District does not have any enterprise funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 17 and 18 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 37 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. Required supplemental information can be found on page 38 of this report.

### **District-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a school district's financial position. In the case of this School District, liabilities exceeded assets by \$41.5 million at the close of the most recent fiscal year. The following summarizes the net assets at June 30, 2016 and 2015.

# Ecorse Public Schools

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016

	June 30,	
	<u>2016</u>	<u>2015</u>
	(thousands)	
<b>Assets</b>		
Current Assets	\$ 5,945	\$ 6,847
Capital Assets, Net Book Value	<u>31,511</u>	<u>32,754</u>
<b>Total Assets</b>	<u><b>\$ 37,456</b></u>	<u><b>\$ 39,601</b></u>
<b>Liabilities</b>		
Current Liabilities	4,783	6,448
Long-Term Liabilities	<u>74,158</u>	<u>73,532</u>
<b>Total Liabilities</b>	<u><b>78,941</b></u>	<u><b>79,980</b></u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of	(34,782)	(33,336)
Restricted for Debt Services	1,251	1,330
Restricted for Net Pension Liabilit	(9,646)	(9,217)
Unrestricted	<u>1,680</u>	<u>844</u>
<b>Total Net Assets</b>	<u><b>(41,491)</b></u>	<u><b>(40,379)</b></u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 37,456</b></u>	<u><b>\$ 39,601</b></u>

By far, the largest portion of the School District's net assets reflects its investment in capital assets (e.g., land, buildings, site improvements, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the School District's net assets, approximately \$1,251,052 represents resources that are subject to external restrictions on how they may be used (restricted net assets).

At the end of the current fiscal year, the School District is able to report a positive balance in two categories of net assets.

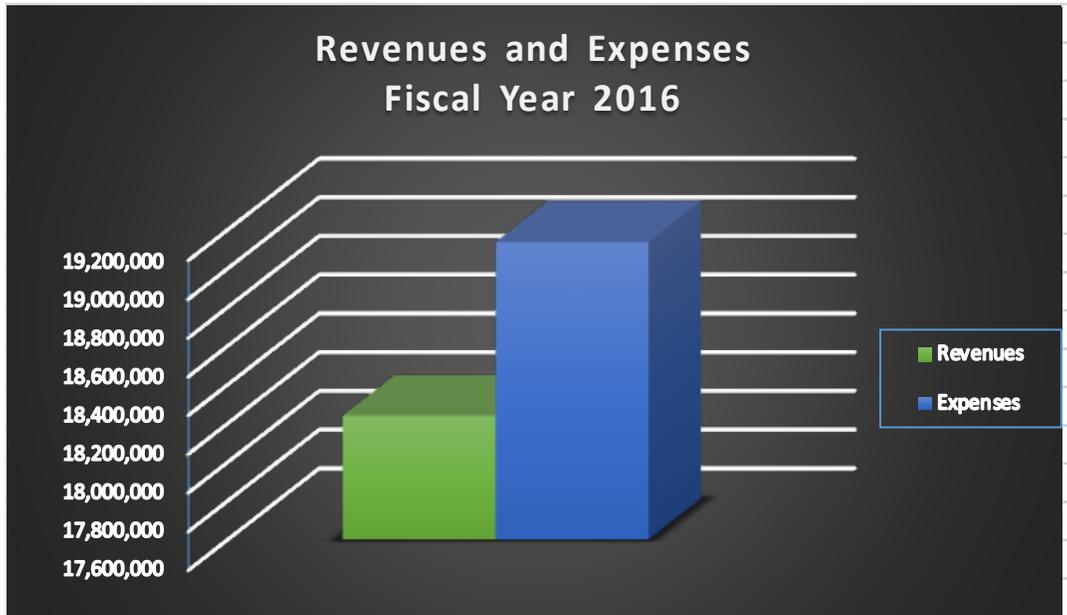
The School District's net position decreased by \$1,112,377 during the current fiscal year. The decrease is primarily due to GASB 38 reporting of the net pension liability.

# Ecorse Public Schools

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016

**Governmental activities.** Governmental activities decreased the School District's net assets by \$ .3 million, thereby accounting for 100% percent of the total decrease in the net assets of the School District. Key elements of this decrease are as follows and is stated in thousands (000):

	<b>2016</b>	<b>2015</b>
<b>General Revenues</b>		
Taxes		
Property Taxes Levied for General Operations	\$ 1,040	\$ 1,148
Property Taxes Levied for Debt Service	2,265	2124
State Aid Unrestricted	7,711	6868
Other	230	108
<b>Total General Revenues</b>	<b>11,246</b>	<b>10,248</b>
<b>Operating Grants</b>		
State Sources	2,802	1662
Federal Sources	3,862	5572
Other	290	155
<b>Total Operating Grants</b>	<b>6,954</b>	<b>7,389</b>
<b>Charges for Services</b>		
Athletics	4	7
Cafeteria	36	51
<b>Total Charges for Services</b>	<b>40</b>	<b>58</b>
<b>Total Revenue</b>	<b>18,240</b>	<b>17,695</b>
<b>Governmental Activities</b>		
Instruction	6,524	5,748
Support Services	7,778	6,790
Cafeteria	882	838
Athletics	106	97
Interest on Long-Term Debt	2,604	2,622
Depreciation - Unallocated	1,243	1,243
<b>Total Expenses</b>	<b>19,137</b>	<b>17,338</b>
<b>Net Assets (Increase) Decrease</b>	<b>1,112</b>	<b>170</b>
<b>Net Assets, Beginning of Year</b>	<b>40,379</b>	<b>40,209</b>
<b>Net Assets, End of Year</b>	<b>\$ 41,491</b>	<b>\$ 40,379</b>



### Financial Analysis of the Government's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a school district's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balance of \$3,104,657, an increase of \$837,102 in comparison with the prior year. Of this amount, \$1,535,354 constitutes a General Fund surplus. The remainder of fund balances consist of a reserve of \$1,418,937 for debt service and \$150,366 relating to the cafeteria and athletics operations.

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, the fund surplus amounted to \$1,535,354.

The fund balance of the School District's General Fund increased by \$822,003 during the current fiscal year. The key factors in this increase is as follows:

- Revenue from State Revenue increased by \$1,595,991. Offset by a decrease in Federal Revenue by \$867,702.

The Debt Service Fund has a total fund balance of \$1,418,937, all of which is reserved for the payment of debt service. The net decrease in the fund balance during the current year in the Debt Service Fund was \$94,026. The decrease was attributed to debt service of \$2.9 million being offset by \$512,109 in loan proceeds and accrued interest relating to the School Bond Loan Fund, the School Loan Revolving Fund, and property tax revenue of \$2.3 million.

### **General Fund Budgetary Highlights**

During the year, actual revenues exceeded the budgeted revenues by \$649,656 and actual expenditures exceeded budgeted expenditures by \$598,444.

Key factors that contributed these variances are as follows:

- State revenues were \$ .4 million more than anticipated.
- Federal revenues were \$ .1 million more than anticipated.
- Instructional expenditures were \$ .2 million more than anticipated.
- Support expenditures were \$ .4 million more than anticipated.

### **Capital Asset and Debt Administration**

The School District's investment in capital assets for its governmental activities as of June 30, 2016, amounted to \$31,510,650 (net of accumulated depreciation). This investment in capital assets includes land, buildings and site improvements, machinery and equipment. The total decrease in the School District's investment in capital assets for the current fiscal year was \$1,243,184 which is the net of additions of \$-0- and depreciation of \$1,243,184.

Additional information on the School District's capital assets can be found in Note 5, page 27, of this report.

At the end of the current fiscal year, the School District had total debt outstanding of \$66,292,310. Of this amount, \$19,525,000 comprises bonded debt backed by the full faith and credit of the School District. The remainder of the School District's debt represents other obligations of \$46,767,310, which consist primarily of the School Bond Loan Fund liability of \$24,994,993, the School Loan Revolving Fund liability of \$21,523,787 and the Compensated Absences liability of \$248,530.

# Ecorse Public Schools

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016

Outstanding debt as of June 30, 2016 can be summarized as follows:

<b>Bonds</b>					\$ 19,525,000
<b>Other Obligations</b>					46,767,310
					<u>\$ 66,292,310</u>

The School District's total debt increased by \$202,765 during the current fiscal year. The key factor in this increase was the borrowings from the School Bond Loan Fund and the School Loan Revolving Fund.

During the current fiscal year, the School District had the following activities:

- The School District retired \$1,775,000 of outstanding debt.
- The amounts due to the School Bond Loan Fund and the School Loan Revolving Fund increased by \$2,031,239 which includes additional borrowings and accrued interest.

The School District's bonded debt maintains a "AAA" rating from Standard & Poor's and a "Aa1" rating from Moody.

Additional information on the School District's long-term debt can be found in Note 7 on pages 28 - 30 of this report.

### Economic and Other Factors and Next Year's Budgets

- Student enrollment is expected to increase by 7%.
- School funding per pupil will remain consistent with the current year's funding.

These factors were considered in preparing the School District's budget for the 2016 - 17 fiscal year.

### Requests for Information

This financial report is intended to provide our citizens and taxpayers with a general overview of the School District's finances. Questions concerning any of the information provided in this report should be addressed to Mr. Thomas E. Parker, Superintendent, 27225 West Outer Drive, Ecorse, Michigan, 48229.

**ECORSE PUBLIC SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash in Bank	\$ 3,550,833
Petty Cash	500
Due From Other Governmental Units	2,334,095
Deposits - Drew Academy Lease	5,000
Inventory	54,470
Total Current Assets	5,944,899
<b>NONCURRENT ASSETS</b>	
Capital Assets	54,453,198
Less: Accumulated Depreciation	(22,942,548)
Total Noncurrent Assets	31,510,650
<b>TOTAL ASSETS</b>	<b>\$ 37,455,549</b>
<b>LIABILITIES AND NET POSITION (DEFICIT)</b>	
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 446,548
Accrued Payroll and Related Liabilities	1,078,840
State Aid Note Payable	1,300,000
Other Liabilities	14,854
Accrued Interest	167,885
Bonds Payable within 1 year	1,775,000
Total Current Liabilities	4,783,127
<b>NONCURRENT LIABILITIES</b>	
Bonds Payable	17,750,000
School Bond Loan Fund Payable	24,994,993
School Loan Revolving Fund Payable	21,523,787
Compensated Absences	248,530
Net Pension Liability	14,302,920
Deferred Outflow of Resources (Net Pension Liability)	(4,586,285)
Deferred Inflow of Resources (Net Pension Liability)	(70,211)
Total Noncurrent Liabilities	74,163,734
<b>NET POSITION (DEFICIT)</b>	
Invested in Capital Assets, Net of Related Debt	(34,781,660)
Restricted for Debt Services	1,251,052
Restricted for Net Pension Liability	(9,646,424)
Unrestricted	1,685,720
Total Net Position (Deficit)	(41,491,313)
<b>TOTAL LIABILITIES AND NET POSITION (DEFICIT)</b>	<b>\$ 37,455,549</b>

**See notes to financial statements.**

**ECORSE PUBLIC SCHOOLS**  
**STATEMENT OF NET ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>PROGRAM REVENUES</b>		<b>GOVERNMENTAL</b>
	<b>CHARGES</b>	<b>OPERATING</b>	<b>ACTIVITIES</b>
	<b>FOR</b>	<b>GRANTS</b>	<b>NET (EXPENSE)</b>
<b>FUNCTIONS/PROGRAMS</b>	<b>EXPENSES</b>	<b>SERVICES</b>	<b>REVENUE AND</b>
			<b>CHANGES IN NET</b>
			<b>ASSETS</b>
Governmental Activities			
Instruction	\$ 6,524,213	\$ -	\$ 2,665,752
Support Services	7,777,522	-	3,203,045
Cafeteria	882,379	74,325	831,499
Athletics	106,435	3,600	-
Interest on Long-Term Debt	2,603,500	-	-
Depreciation - Unallocated	1,243,183	-	-
	<u>19,137,232</u>	<u>77,925</u>	<u>6,700,295</u>
Total Governmental Activities			<u>(12,359,011)</u>
General Revenues			
Taxes			
Property Taxes Levied for General Operations			1,039,945
Property Taxes Levied for Debt Service			2,265,411
State Aid Unrestricted			7,710,867
Act 18 Follow That Kid			105,150
Interest on Investments			2,791
Other			122,470
			<u>11,246,634</u>
Total General Revenues			<u>11,246,634</u>
Change in Net Position			(1,112,377)
Net Position, Beginning of Year			<u>(40,378,936)</u>
Net Position, End of Year			<u>\$ (41,491,313)</u>

See notes to financial statements.

**ECORSE PUBLIC SCHOOLS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2016

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash in Bank	\$ 3,289,809	\$ 257,993	\$ 3,031	\$ 3,550,833
Petty Cash	500	-	-	500
Due From Other Governmental Units	2,217,587	-	116,508	2,334,095
Due From Other Funds	-	1,229,267	-	1,229,267
Deposits - Drew Academy Lease	5,000	-	-	5,000
Inventory	33,778	-	20,692	54,470
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,546,674</u></b>	<b><u>\$ 1,487,260</u></b>	<b><u>\$ 140,232</u></b>	<b><u>\$ 7,174,166</u></b>

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES</b>				
Accounts Payable	\$ 307,398	\$ 68,322	\$ 70,827	\$ 446,548
Accrued Payroll and Related Liabilities	1,078,840	-	-	1,078,840
Other Liabilities	14,854	-	-	14,854
State Aid Note Payable	1,300,000	-	-	1,300,000
Due to Other Funds	1,310,228	-	(80,961)	1,229,267
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total Liabilities	4,011,320	68,322	(10,134)	4,069,509
<b>FUND BALANCES</b>				
Reserved for Debt Service	-	1,418,937	-	1,418,937
Unreserved and Undesignated	1,535,354	-	150,366	1,685,720
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total Fund Balances	1,535,354	1,418,937	150,366	3,104,657
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 5,546,674</u></b>	<b><u>\$ 1,487,260</u></b>	<b><u>\$ 140,232</u></b>	<b><u>\$ 7,174,166</u></b>

Total Governmental Fund Balances \$ 3,104,657

Amounts reported for governmental activities in the Statement of Net Position are different because

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of the capital assets is	\$ 54,453,198	
Accumulated depreciation is	<u>(22,942,548)</u>	
		31,510,650

Long-Term liabilities are not due and payable in the current period and are not reported in the fund

Bonds Payable	(19,525,000)
School Bond Loan Fund Payable	(24,994,993)
School Loan Revolving Fund Payable	(21,523,787)
Compensated Absences	(248,530)
Net Pension Liability	(9,646,424)
Accrued interest is not included as a liability in governmental funds	<u>(167,885)</u>

Net position of governmental activities **\$ (41,491,313)**

**See notes to financial statements.**

**ECORSE PUBLIC SCHOOLS**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUE</b>				
Local Sources	\$ 1,314,335	\$ 2,265,678	\$ 77,925	\$ 3,657,938
State Sources	9,662,623	-	19,880	9,682,503
Federal Sources	<u>3,861,940</u>	<u>-</u>	<u>811,619</u>	<u>4,673,559</u>
Total Revenue	<u>14,838,899</u>	<u>2,265,678</u>	<u>909,424</u>	<u>18,014,001</u>
<b>EXPENDITURES</b>				
Instruction	6,373,256	-	-	6,373,256
Support Service	7,549,343	-	952,854	8,502,197
Debt Service	<u>-</u>	<u>2,871,813</u>	<u>-</u>	<u>2,871,813</u>
Total Expenditures	<u>13,922,599</u>	<u>2,871,813</u>	<u>952,854</u>	<u>17,747,266</u>
Excess Expenditures	<u>916,300</u>	<u>(606,135)</u>	<u>(43,430)</u>	<u>266,735</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Reimbursements	4,788	-	-	4,788
Operating Transfers In	3,750	-	-	3,750
Operating Transfers Out	(102,835)	-	(3,750)	(106,585)
State Bond Loan Proceeds	<u>-</u>	<u>512,109</u>	<u>-</u>	<u>512,109</u>
Total Other Financing Sources (Uses)	<u>(94,297)</u>	<u>512,109</u>	<u>(3,750)</u>	<u>414,062</u>
<b>NET CHANGES IN FUND BALANCE</b>	822,003	(94,026)	(47,180)	680,797
<b>FUND BALANCE (DEFICIT), Beginning</b>	<u>713,351</u>	<u>1,512,963</u>	<u>199,326</u>	<u>2,425,640</u>
<b>FUND BALANCE (DEFICIT), Ending</b>	<u>\$ 1,535,354</u>	<u>\$ 1,418,937</u>	<u>\$ 152,146</u>	<u>\$ 3,106,437</u>

See notes to financial statements.

**ECORSE PUBLIC SCHOOLS**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN**

**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2016**

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 680,797</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because</p> <p>Governmental funds reported capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation</p>	
Depreciation Expense	\$(1,243,184) (1,243,184)
Repayments of bond principal and construction loans are expenditures in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt)	1,775,000
Bond and loan proceeds are revenue in the governmental funds, but not in the Statement of Activities (where it increases long-term debt)	(2,031,239)
Net Pension Liability Expense	(347,225)
Decrease in compensated absences are reported as expenditures when financial resources are used in the governmental funds	<u>53,474</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (1,112,377)</u></b>

**See notes to financial statements.**

**ECORSE PUBLIC SCHOOLS**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**

	<b><u>AGENCY FUNDS - STUDENT ACTIVITIES</u></b>
<b>ASSETS</b>	
Cash in Bank	\$ <u>50,618</u>
<b>LIABILITIES</b>	
Due to Student and Other School Groups	\$ <u>50,618</u>
<b>NET ASSETS</b>	
Held in Trust	

**See notes to financial statements.**

**ECORSE PUBLIC SCHOOLS**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**

	<u>PRIVATE-PURPOSE TRUSTS</u>
<b>ADDITIONS</b>	
Interest	\$ -
<b>NET POSITIONS, Beginning of Year</b>	<u>-</u>
<b>NET POSITIONS, End of Year</b>	<u>\$ -</u>

See notes to financial statements.

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Ecorse Public Schools (the “School District”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

#### Reporting Entity

The School 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 financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School 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 Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements, Governmental activities, normally 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. All the School District's district-wide activities are considered governmental activities.

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

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

**District-Wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Fund-Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

The Debt Service Fund is used to record tax, interest and other revenue for payment of interest, principal and other expenditures on the 1997 Bond Issue, the 2005 Refunding Bond Issue and the School Bond Loan.

Additionally, the School District reports the following fund types:

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

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Cafeteria Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State Aid.

#### **Assets, Liabilities and Net Position or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All property tax and other trade receivables are shown as net of allowance for uncollectible amounts. Property taxes are assessed on all real and personal property in the City of Ecorse as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. The final collection date is February 28, after which penalties and interest are assessed and the total uncollected obligation is added to the Wayne County delinquent tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture commodities inventory received by the Cafeteria Fund are recorded as inventory and deferred revenue until used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

**Capital Assets** - Capital assets, which include buildings, site improvements, furniture and equipment, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure type assets.

Buildings and additions, site improvements, furniture and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and Additions	30-50 years
Site Improvements	20 years
Furniture and Equipment	5-20 years
Computer Equipment	5 years
Vehicles	8 years

**Compensated Absences** - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-Term Obligations** - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data** - Comparative total data is not included in the School District's financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

**Outflows/Inflows of Resources** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has one item that qualifies for reporting in this category, which is the deferred outflows related to pensions reported in the government wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. One item is the deferred inflow of resources related to the deferred inflow related to the pension plan of \$70,271 (Note 10) and the other is the Section 147c allocation of \$391,760 from the State of Michigan.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end. Annual operating budgets are adopted each fiscal year through approval of an annual budget ordinance and amended as required for all fund types. The same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principle basis.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend their budgets during the year. The last amendment to the budget was adopted on June 27, 2016.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year-end do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the School District incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund - Support -			
Business Services	518,102	538,211	(20,109)
Community Service	16,478	22,678	(6,200)

**Fund Balance/Net Position Surplus** - As of June 30, 2016, the School District had a cumulative fund balance surplus in the General Fund of \$1,535,354 with a related net asset deficit of \$40,487,045. In addition, Net Assets Invested in Capital Assets, Net of Related Debt had a deficit of \$37,455,548 at June 30, 2016. This deficit in the Statement of Net Position is a result of debt in excess of the School District's investments in capital outlay and the net pension liability related to GASB 68.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the School District to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations that have an office in Michigan. The School District is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The School District's deposits and investment policy are in accordance with statutory authority.

As of June 30, 2016, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash in Bank	\$ 3,550,833	\$ 50,618	\$ 3,601,451
Petty Cash	<u>500</u>	<u>-</u>	<u>500</u>
Total	<u>\$ 3,551,333</u>	<u>\$ 50,618</u>	<u>\$ 3,601,951</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (Checking and Savings Accounts)	\$ 3,601,451
Petty Cash and Cash on Hand	<u>500</u>
Total	<u>\$ 3,601,951</u>

The bank balance of the School District's deposits is \$3,390,634 of which \$300,618 is covered by federal depository insurance (FDIC).

**NOTE 4 – RECEIVABLES**

Receivables as of year-end for the School District's individual major and non-major funds and fiduciary funds in the aggregate, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables				
Intergovernmental	\$ 2,217,587	\$ -	\$ 111,140	\$ 2,328,727
Total	<u>2,217,587</u>	<u>-</u>	<u>111,140</u>	<u>2,328,727</u>

There are no applicable allowances for uncollectible accounts.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Payments Received Prior to Meeting all Eligibility Requirements		
Grants and Categorical Aide Payments	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity of the School District’s Governmental activities for the current year was as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2016</u>
Capital Assets Being Depreciated				
Building and Additions	\$ 41,866,351	\$ -	\$ -	\$ 41,866,351
Site Improvements	5,521,884	-	-	5,521,884
Furniture and Equipment	5,107,325	-	-	5,107,325
Computer Equipment	1,938,986	-	-	1,938,986
Vehicles	<u>18,652</u>	<u>-</u>	<u>-</u>	<u>18,652</u>
Subtotal	<u>54,453,198</u>	<u>-</u>	<u>-</u>	<u>54,453,198</u>
Accumulated Depreciation				
Building and Additions	12,080,541	810,922	-	12,891,463
Site Improvements	3,959,189	227,529	-	4,186,718
Furniture and Equipment	3,701,994	204,732	-	3,906,726
Computer Equipment	1,938,986	-	-	1,938,986
Vehicles	<u>18,652</u>	<u>-</u>	<u>-</u>	<u>18,652</u>
Subtotal	<u>21,699,362</u>	<u>1,243,184</u>	<u>-</u>	<u>22,942,545</u>
Net Capital Assets	<u>\$ 32,753,836</u>	<u>\$ (1,243,184)</u>	<u>\$ -</u>	<u>\$ 31,510,650</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances is as follows:

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 1,229,267
Athletic Fund	General Fund	5,368
General Fund	Cafeteria	111,140

Amounts due to the Debt Service Fund from the General Fund are for revenues allocated to this fund, but received by the General Fund. Amounts due to the General Fund are from the Cafeteria Fund are expenditures allocated to this Fund, but paid by the General Fund. All amounts due are scheduled to be repaid within one year.

**Interfund Transfers**

<u>Transfer in</u>	<u>Transfer Out</u>	<u>Amount</u>
Athletic Fund	General Fund	\$ 102,835
General Fund	Cafeteria Fund	3,750

Interfund Transfers from the General Fund are made to cover excess expenditures in a Special Revenue Fund. Interfund transfers to the General Fund were made to cover indirect costs of the Cafeteria Fund.

**NOTE 7 – LONG-TERM DEBT**

The School District issues bonds, notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include a school bond fund loan, compensated absences and net pension liability.

**NOTE 7 – LONG-TERM DEBT (Continued)**

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds	\$ 21,300,000	\$ -	\$ 1,775,000	\$ 19,525,000	\$ 1,775,000
Other Obligations					
School Bond Loan Fund	24,171,455	823,538	-	24,994,993	-
School Loan Revolving Fund	20,316,085	695,592	-	21,011,677	-
Compensated Absences	302,004	-	53,474	248,530	-
Total Other Obligations	44,789,544	1,519,130	53,474	46,255,200	-
Total	\$ 66,089,544	\$ 1,519,130	\$ 1,828,474	\$ 65,780,200	\$ 1,775,000

**Governmental Activities**

General obligation bonds consist of the following:

2005 Refunding Bonds Totaling \$33,000,000 due in Annual Installments of \$75,000 to \$1,775,000 Through May 1, 2027; Interest Ranging From 3.50% to 5.25% \$ 19,525,000

Annual debt service requirements to maturity for the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1,775,000	1,007,312	2,782,312
2018	1,775,000	918,562	2,693,562
2019	1,775,000	829,812	2,604,812
2020	1,775,000	741,062	2,516,062
2021	1,775,000	647,876	2,422,876
2022-2024	5,325,000	1,384,500	6,709,500
2025-2027	5,325,000	545,814	5,870,814
	<u>\$ 19,525,000</u>	<u>\$ 6,074,939</u>	<u>\$ 25,599,939</u>

**NOTE 7 – LONG-TERM DEBT (Continued)**

Other governmental activities long-term obligations include:

School Bond Loan Fund (See Note 8)	\$ 24,994,993
School Loan Revolving Fund (See Note 8)	21,523,787
Employee Compensated Absences	<u>248,530</u>
Total	<u>\$ 46,767,310</u>

**NOTE 8 – SCHOOL BOND LOAN FUND AND SCHOOL LOAN REVOLVING FUND**

Under Public Act 34 of 2001 and Public Act 92 of 2005, the School District has received loans from the State of Michigan for annual debt retirement needs. The School District’s annual debt levy is 13 mills which is less than its annual debt service requirement on its outstanding General Obligation bonds. The School District has requested these loans from the State of Michigan for the additional portion of the funds required to make full debt service payments rather than increase its current debt millage levy. As of June 30, 2016, the School Bond Loan Fund balance of \$24,994,993 and the School Loan Revolving Fund balance of \$21,523,787 include accrued interest at variable interest rates. This borrowing process continues until the debt millage levy yields more revenue than the amount needed to pay the debt service. At that point, the School District will begin to use the surplus to repay the principal loan balances and accrued interest.

**NOTE 9 – STATE AID NOTE PAYABLE**

On August 20, 2016, the School District borrowed \$1,430,000 pursuant to Act No. 451 of the Public Acts of 1976. This Act authorizes the borrowing of money in a single series of notes in anticipation of the collection of State Aid payments for the 2016-17 school year. The note bears interest on \$1,200,000 at 1.2%, \$138,056 at .76% and \$91,944 at 1%. The note is due on August 20, 2017.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
State Aid Note Payable	<u>\$ 2,200,000</u>	<u>\$ 1,430,000</u>	<u>\$ 2,200,000</u>	<u>\$ 1,430,000</u>

### NOTE 10 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance policies to satisfy any claims related to general liability, vehicle liability, property and casualty, athletic participation, employee health and accident and errors and omissions. The General Fund, since there is no Internal Service Fund, accounts for all risk-financing activity. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

During the year ended June 30, 2016, there was no significant reduction in insurance coverage in any of the risk categories mentioned above.

### NOTE 11 – LITIGATION AND CONTINGENCIES

The School District is the recipient of several Federal and State Grant programs. The expenditures for each program are subject to audit for technical compliance by an appropriate agency. In the event such audit procedures indicate that the School District is not in compliance, the Federal government could require repayment of funds to the grantor(s). In the opinion of management, such repayment, if any, is not likely to be material.

### NOTE 12 – MICHIGAN PUBLIC SERVICE EMPLOYEES' RETIREMENT

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or System), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing MI 48909.

**NOTE 12 – MICHIGAN PUBLIC SERVICE EMPLOYEES’ RETIREMENT (Continued)**

Contributions - Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each School District's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

The School District's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

The range of rates are as follows:

<b>School District</b>	
<b>October 1, 2014 - September 30, 2015</b>	<b>18.76% - 23.07%</b>
<b>October 1, 2015 - June 30, 2016</b>	<b>14.56% - 18.95%</b>

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the year ended June 30, 2016 was \$1,465,737. The School District's required and actual contributions include an allocation of \$391,760 in revenue received from the State of Michigan, and remitted to the system, to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2016.

**Benefits Provided** - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

**NOTE 12 – MICHIGAN PUBLIC SERVICE EMPLOYEES’ RETIREMENT (Continued)**

Benefit terms provide for annual cost of living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

**Net Pension Liability, Deferrals, and Pension Expense**

At June 30, 2016, the School District reported a liability of \$14,302,920 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, which used update procedures to roll forward the estimated liability to September 30, 2015. The School District’s proportion of the net pension liability was based on a projection of its long term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015 the School District’s proportion was 0.058558 percent.

For the year ended June 30, 2016, the School District recognized pension expense of \$2,014,949, exclusive of payments to fund the MPSERS UAAL Stabilization Rate. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (47,375)
Changes of assumptions	352,168	-
Net difference between projected and actual earnings on pension plan assets	73,005	-
Changes in proportion and differences between the School District’s contributions and proportionate share of contributions	3,018,616	(22,836)
The School District’s contributions subsequent to the measurement date	<u>1,142,496</u>	<u>-</u>
Total	<u>\$ 4,586,285</u>	<u>\$ (70,211)</u>

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

**NOTE 12 – MICHIGAN PUBLIC SERVICE EMPLOYEES’ RETIREMENT (Continued)**

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 846,181
2018	846,181
2019	827,206
2020	854,010
2021	-
Thereafter	-
Total	<u>\$ 3,373,578</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

**Actuarial Assumptions** - The total pension liability as of September 30, 2015 is based on the results of an actuarial valuation date of September 30, 2014 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return	7.00 to 8.00 percent, net of investment expenses based on the groups
Salary increases	3.50 - 12.3%, including wage inflation of 3.5%
Mortality basis	RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3% annual non-compounded for MIP members

The actuarial assumptions used for the September 30, 2014 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

**NOTE 12 – MICHIGAN PUBLIC SERVICE EMPLOYEES’ RETIREMENT (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00-8.00 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.0%	5.9%
Private equity pools	18.0%	9.2%
International equity pools	16.0%	7.2%
Fixed-income pools	10.5%	0.9%
Real estate and infrastructure pools	10.0%	4.3%
Real return, opportunistic, and absolute pool	15.5%	6.0%
Short-term investment pools	2.0%	- %
Total	100.0%	

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the School District calculated using the discount rate of 7.00-8.00 percent, depending on the plan option. The following also reflects what the School District’s net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (6.0 - 7.0 percent) or 1.00 percentage point higher (8.0 - 9.0 percent) than the current rate:

1.00 Percent Decrease (6.0 - 7.0 Percent)	Current Discount Rate (7.0 - 8.0 Percent)	1.00 Percent Increase (8.0 - 9.0 Percent)
\$ 18,440,130	\$ 14,302,920	\$ 10,815,082

**NOTE 12 – MICHIGAN PUBLIC SERVICE EMPLOYEES' RETIREMENT (Continued)**

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

**Payable to the Pension Plan** - At June 30, 2016, the School District reported a payable of \$144,733 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**Postemployment Benefits Other Than Pensions (OPEB)** - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. School District - The employer contribution rate ranged from 2.2 percent to 2.71 percent of covered payroll for the period from July 1, 2015 to September 30, 2015 and from 6.4 percent to 6.83 percent of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were \$308,513, \$161,871, and \$263,906, respectively. In addition, a portion ranging from 35-100 percent of the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate is considered a contribution to the retiree healthcare plan.

### **NOTE 13 – SUBSEQUENT EVENTS**

On August 20, 2016 the School District borrowed \$1,430,000 pursuant the Act No. 451 of the Public Acts of 1976. This act authorizes the borrowing of money in a single series of notes in anticipation of the collection of State Aid payments for the 2016-17 school year. The first note totals \$232,875, bears an average interest rate of .88% and are seven (7) set-aside payments beginning January 2017 and ending July 2017. The final note is for \$1,200,000 and bears an interest rate of 1.2% due on August 20, 2017.

**Required Supplemental Information**

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**ECORSE PUBLIC SCHOOLS**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>ORIGINAL</b>			<b>VARIANCE WITH</b>
	<b>BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>FINAL BUDGET</b>
				<b>FAVORABLE</b>
				<b>(UNFAVORABLE)</b>
<b>REVENUE</b>				
Local Sources	\$ 955,874	\$ 1,220,247	\$ 1,314,335	\$ 94,088
State Sources	9,690,038	9,252,162	9,662,623	410,461
Federal Sources	<u>2,527,402</u>	<u>3,716,834</u>	<u>3,861,940</u>	<u>145,106</u>
Total Revenue	<u>13,173,314</u>	<u>14,189,243</u>	<u>14,838,899</u>	<u>649,656</u>
<b>EXPENDITURES</b>				
Instruction				
Basic Programs	4,244,463	4,152,412	4,335,379	(182,967)
Added Needs	<u>1,106,140</u>	<u>1,988,575</u>	<u>2,037,877</u>	<u>(49,302)</u>
Total Instruction	<u>5,350,603</u>	<u>6,140,987</u>	<u>6,373,256</u>	<u>(232,269)</u>
Support				
Pupil Services	1,199,193	1,533,137	1,642,943	(109,806)
Instructional Staff	118,782	303,213	314,688	(11,475)
General Administration	1,222,580	1,193,459	1,285,550	(92,091)
School Administration	852,575	846,956	845,533	1,423
Business Services	452,771	518,102	538,121	(20,019)
Operations and Maintenance	1,706,007	1,528,606	1,674,956	(146,350)
Pupil Transportation	526,275	639,940	638,668	1,272
Central	560,949	603,277	586,206	17,071
Community Service	<u>1,032</u>	<u>16,478</u>	<u>22,678</u>	<u>(6,200)</u>
Total Support	<u>6,640,164</u>	<u>7,183,168</u>	<u>7,549,343</u>	<u>(366,175)</u>
Total Expenditures	<u>11,990,767</u>	<u>13,324,155</u>	<u>13,922,599</u>	<u>(598,444)</u>
Excess Revenue (Expenditures)	<u>1,182,547</u>	<u>865,088</u>	<u>916,300</u>	<u>51,212</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Intergovernmental Payments	-	-	-	-
Insurance Reimbursements	-	-	4,788	4,788
Operating Transfers In	3,750	3,750	3,750	-
Operating Transfers Out	107,900	97,800	(102,835)	(200,635)
Durant Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>111,650</u>	<u>101,550</u>	<u>(94,297)</u>	<u>(195,847)</u>
Excess Revenue and Other Sources (Expenditures and Other Uses)	<u>\$ 1,294,197</u>	<u>\$ 966,638</u>	822,003	<u>\$ (144,635)</u>
<b>FUND BALANCE (DEFICIT), Beginning</b>			<u>713,351</u>	
<b>FUND BALANCE (DEFICIT), Ending</b>			<u>\$ 1,535,354</u>	

See notes to financial statements.

**Required Supplemental Information  
Schedule of Ecorse Public Schools' Proportionate Share of the Net Pension Liability  
Michigan Public School Employees' Retirement System  
Determined as of the Plan Year Ended September 30, 2015**

	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability (asset)	0.05856%	0.04326%
School District's proportionate share of the net pension liability (asset)	\$ 14,302,920	\$ 9,326,407
School District's covered employee payroll	5,077,371	3,816,111
School District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	281.70%	244.40%
Plan fiduciary net position as a % of the total pension liability	62.92%	66.20%

**Schedule of Ecorse Public Schools' Contributions  
Michigan Public School Employee's Retirement System  
Determined as of the Year Ended June 30, 2016**

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 1,465,737	\$ 974,007
Contributions in relation to the statutorily required contribution	1,465,737	974,007
Contribution deficiency (excess)	-	-
School District's covered employee payroll	5,319,195	4,618,197
Contributions as a percentage of covered employee payroll	27.56%	21.09%

**Benefit Changes** - There were no changes of benefit terms in 2016.

**Changes in Assumptions** - There were no changes of benefit assumptions in 2016

**Other Supplemental Information**

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**ECORSE PUBLIC SCHOOLS**  
**OTHER SUPPLEMENTAL INFORMATION**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**

JUNE 30, 2016

	<b>CAFETERIA FUND</b>	<b>ATHLETICS FUND</b>	<b>COMBINED TOTAL</b>
<b>ASSETS</b>			
Cash	3,031	\$ -	\$ 3,031
Due From Other Governmental Units	111,140	5,368	116,508
Due From Other Funds	-	-	-
Inventory	19,069		19,069
<b>TOTAL ASSETS</b>	<b>\$ 133,241</b>	<b>\$ 5,368</b>	<b>\$ 138,609</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 65,324	\$ 5,503	\$ 70,827
Due To Other Funds	(82,449)	(135)	(82,584)
Total Liabilities	(17,125)	5,368	(11,757)
<b>FUND BALANCE</b>	150,366	-	150,366
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 133,241</b>	<b>\$ 5,368</b>	<b>\$ 138,609</b>

See notes to financial statements.

**ECORSE PUBLIC SCHOOLS**  
**OTHER SUPPLEMENTAL INFORMATION**  
**SPECIAL REVENUE FUNDS**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	CAFETERIA			ATHLETICS		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
			FAVORABLE (UNFAVORABLE)			FAVORABLE (UNFAVORABLE)
<b>REVENUE</b>						
Local Sources	\$ 59,101	\$ 74,325	\$ 15,224	\$ 2,200	\$ 3,600	\$ 1,400
State Sources	19,880	19,880	0	-	-	-
Federal Sources	738,327	811,619	73,292	-	-	-
Total Revenue	<u>817,308</u>	<u>905,824</u>	<u>88,516</u>	<u>2,200</u>	<u>3,600</u>	<u>1,400</u>
<b>EXPENDITURES</b>						
Support - Business						
Purchased Services	813,036	846,420	(33,384)	-	-	-
Support - Other						
Salaries	-	-	-	25,830	34,944	(9,114)
Employee Benefits	-	-	-	15,549	16,166	(617)
Purchased Services	-	-	-	18,034	43,573	(25,539)
Supplies and Materials	-	35,960	-	18,587	11,752	6,835
Total Expenditures	<u>813,036</u>	<u>882,379</u>	<u>(33,384)</u>	<u>78,000</u>	<u>106,435</u>	<u>(28,435)</u>
Excess Revenue (Expenditures)	<u>4,272</u>	<u>23,445</u>	<u>55,133</u>	<u>(75,800)</u>	<u>(102,835)</u>	<u>(27,035)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating Transfer In	-	-	-	78,000	102,835	24,835
Operating Transfer Out	(3,750)	(3,750)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(3,750)</u>	<u>(3,750)</u>	<u>-</u>	<u>78,000</u>	<u>102,835</u>	<u>24,835</u>
Excess Revenue and Other Sources (Expenditures and Other Uses)	<u>\$ 522</u>	19,695	<u>\$ 55,133</u>	<u>\$ 2,200</u>	0	<u>\$ (2,200)</u>
<b>FUND BALANCE, Beginning of Year</b>		<u>130,671</u>			<u>-</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 150,366</u>			<u>\$ 0</u>	

See notes to financial statements.

**ECORSE PUBLIC SCHOOLS  
SUPPLEMENTAL INFORMATION  
SINGLE AUDIT REPORT  
JUNE 30, 2016**

**SECTION A**

**ECORSE PUBLIC SCHOOLS  
SUPPLEMENTAL INFORMATION  
SINGLE AUDIT REPORT**

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# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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LARRY WILKERSON, C.P.A.  
THOMAS E. WILKERSON, C.P.A.

## **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***

To the Board of Education  
Ecorse Public Schools

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 Ecorse Public Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Ecorse Public School's basic financial statements, and have issued our report thereon dated October 27, 2016.

### **Internal Control Over Financial Reporting**

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

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

**Members: A.I.C.P.A. and M.I.C.P.A.**

To the Board of Education  
Ecorse Public Schools

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 Ecorse Public School'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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Wilkinson & Associates PC*

Dearborn, Michigan  
October 27, 2016

# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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LARRY WILKERSON, C.P.A.  
THOMAS E. WILKERSON, C.P.A.

## **Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

To the Board of Education  
Ecorse Public Schools

### **Report on Compliance for each Major Federal program**

We have audited Ecorse Public Schools compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ecorse Public Schools major federal programs for the year ended June 30, 2016. Ecorse Public Schools major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Ecorse Public Schools major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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

**Members: A.I.C.P.A. and M.I.C.P.A.**

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 Ecorse Public Schools compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ecorse Public Schools compliance.

***Opinion on Each Major Federal Program***

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

**Report on Internal Control Over Compliance**

Management of Ecorse Public School 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 Ecorse Public Schools internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Ecorse Public Schools 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.

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.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ecorse Public School (the “Academy”) as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated October 27, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management as was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information

Ecorse Public School  
To the Board of Education  
Page 4

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 financial statements or to the financial statements themselves, and other additional procedures in accordance with standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Wilkerson & Associate PC*

Dearborn, Michigan  
October 27, 2016

**ECORSE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>	<b>Accrued (Deferred) Revenue July 1, 2015</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>Current Year Expenditures</b>	<b>Current Year Receipts</b>	<b>Accrued (Deferred) Revenue June 30, 2016</b>	<b>Adjustments</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>								
Passed Through Michigan Department of Education								
Title I, Part A								
Project Number: 151530 1415	84.010	1,135,575	328,211	976,468	95,051	423,262	(0)	-
Project Number: 161530 1516		<u>1,086,517</u>	-	-	<u>867,868</u>	<u>736,016</u>	<u>131,852</u>	-
Total Title I, Part A Cluster		<u>2,222,092</u>	<u>328,211</u>	<u>976,468</u>	<u>962,919</u>	<u>1,159,278</u>	<u>131,852</u>	-
Title II Part A								
Project Number: 150520 1415	84.367	182,682	49,113	123,537	44,703	93,816	0	-
Project Number: 160520 1516		<u>169,335</u>	-	-	<u>88,666</u>	<u>87,735</u>	<u>931</u>	-
Total Title II, Part A		<u>352,017</u>	<u>49,113</u>	<u>123,537</u>	<u>133,369</u>	<u>181,550</u>	<u>931</u>	-
School Improvement Cohort III								
Project Number: 131761 14-15	84.377	3,951,347	1,406,927	3,178,723	772,624	2,179,551	(0)	-
Project Number: 131762 15-16		<u>2,248,544</u>	-	-	<u>1,799,984</u>	<u>1,532,974</u>	<u>267,010</u>	-
Total School Improvement Cohort III		<u>6,199,891</u>	<u>1,406,927</u>	<u>3,178,723</u>	<u>2,572,608</u>	<u>3,712,526</u>	<u>267,010</u>	-
Passed Through Wayne County Regional Educational Service Agency								
I.D.E.A. Flowthrough								
Project Number: 140450 1415	84.027A	147,645	147,645	147,645	-	147,645	-	-
Project Number: 150450 1516		<u>186,098</u>	-	-	<u>184,529</u>	-	<u>184,529</u>	-
Total I.D.E.A. Flowthrough Cluster		<u>333,743</u>	<u>147,645</u>	<u>147,645</u>	<u>184,529</u>	<u>147,645</u>	<u>184,529</u>	-
<b>U.S. DEPARTMENT OF AGRICULTURE</b>								
Passed Through Michigan Department of Education								
Child Nutrition Cluster								
Non-Cash Assistance								
National School Lunch Program	10.555							
Entitlement Commodities - 2015 -16		<u>35,960</u>	-	-	<u>35,960</u>	<u>35,960</u>	-	-
Total Non-Cash Assistance		<u>35,960</u>	-	-	<u>35,960</u>	<u>35,960</u>	-	-

The accompanying notes are an integral part of this schedule.

**ECORSE PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>Accrued (Deferred) Revenue July 1, 2015</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>Accrued (Deferred) Revenue June 30, 2016</u>	<u>Adjustments</u>
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>								
Passed Through Michigan Department of Education (Continued)								
Child Nutrition Cluster (Continued)								
Cash Assistance			45,132					
National School Breakfast Program	10.553							
Project Number 151970		187,308	46,201	187,308	-	46,201	-	-
Project Number 161970		180,445	-	-	199,306	164,820	34,487	-
Total National School Breakfast Program		367,753	46,201	187,308	199,306	211,021	34,487	-
National School Lunch Program	10.555							
Project Number: 151960		428,621	125,542	307,573	46,948	172,490	-	-
Project Number: 151980		14,516	4,534	14,516	-	4,534	-	-
Project Number: 161960		410,509	-	-	410,508	375,632	34,876	-
Project Number: 161980		26,524	-	-	26,524	24,419	2,105	-
Total National School Lunch Program		880,171	130,076	322,089	483,980	577,075	36,981	-
Fresh Fruit and Vegetable Program	10.582							
Project Number: 150950		24,371	10,805	13,566	-	10,805	-	-
Project Number: 160950		32,800	-	-	32,800	29,468	3,332	-
Total Fruit and Vegetable Program		57,171	10,805	13,566	32,800	40,273	3,332	-
Summer Food Service Program for Children	10.559							
Project Number: 150900		53,592	53,592	53,592	-	53,592	-	-
Project Number: 151900		4,582	3,565	1,287	-	3,565	-	-
Project Number: 160900		30,246	-	-	30,246	-	30,246	-
Project Number: 161900		2,591	-	-	2,591	-	2,591	-
Total Summer Food Service Program for Children		91,011	57,157	54,879	32,837	57,157	32,837	-

The accompanying notes are an integral part of this schedule.

**ECORSE PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>Accrued (Deferred) Revenue July 1, 2015</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>Accrued (Deferred) Revenue June 30, 2016</u>	<u>Adjustments</u>
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>								
Passed Through Michigan Department of Education (Continued)								
Child Nutrition Cluster (Continued)								
Cash Assistance								
Child And Adult Care Food Program	10.558							
Project Number: 151920		27,481	17,541		235	17,775	0	-
Project Number: 152010		1,789	1,143	1,775	14	1,157	(0)	-
Project Number: 161920		25,262	-	-	25,262	18,795	6,467	-
Project Number: 162010		1,226	-	-	1,226	833	393	-
		<u>55,757</u>	<u>18,684</u>	<u>1,775</u>	<u>26,736</u>	<u>38,560</u>	<u>6,859</u>	<u>-</u>
Total Child And Adult Care Food Program		55,757	18,684	1,775	26,736	38,560	6,859	-
Total Cash Assistance		<u>1,451,862</u>	<u>262,923</u>	<u>579,617</u>	<u>775,659</u>	<u>924,086</u>	<u>114,496</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>1,487,822</u>	<u>262,923</u>	<u>579,617</u>	<u>811,619</u>	<u>960,046</u>	<u>114,496</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>								
Passed Through Wayne County Regional								
Education Service Agency								
Medicaid Administrative Outreach	93.778							
2014-15		\$ 1,320	\$ -	\$ 1,320	\$ 6,560	\$ 6,560	-	-
2015-16		1,957	-	-	1,957	-	1,957	-
		<u>3,277</u>	<u>-</u>	<u>1,320</u>	<u>8,517</u>	<u>6,560</u>	<u>1,957</u>	<u>-</u>
Total U.S. Department of Health and Human Services		3,277	-	1,320	8,517	6,560	1,957	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 10,598,842</u>	<u>\$ 2,194,820</u>	<u>\$ 5,007,310</u>	<u>\$ 4,673,559</u>	<u>\$ 6,167,605</u>	<u>\$ 700,775</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

**ECORSE PUBLIC SCHOOLS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Ecorse Public Schools under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Ecorse Public Schools, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of Ecorse Public Schools. Pass-through entity identify numbers are presented where available.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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. The value of **Noncash Assistance** received was determined in accordance with the provisions of the Uniform Guidance.

**NOTE 3 - INDIRECT COST RATE**

Ecorse Public Schools has elected to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 – RECONCILIATION FUNDS STATEMENT – FEDERAL SOURCES**

General Fund	\$3,861,940
Cafeteria Fund	811,619
Deferred Revenue from prior year	
Deferred Revenue Current Year	
Total Revenue per Schedule of Expenditures of Federal Awards	\$4,673,559

**NOTE 5 - GRANT SECTION AUDITOR REPORT**

Management has utilized the Cash Management System (CMS) Grant Auditor Report and the related Disbursement and Payment Ledger reports, in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

**ECORSE PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Section 1 - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

\* Material weakness(es) identified?  Yes  No

\* Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

\* Material weakness(es) identified?  Yes  No

\* Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Audit Requirements of the Uniform Guidance?  Yes  No

Identification of major program:

CFDA Number	Federal Program
84.377	School Improvement Cohort,III
84.027A	IDEA Flowthrough

