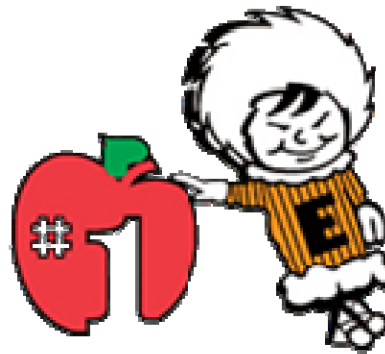


Escanaba Area
Public Schools



Year Ended
June 30, 2020

Financial
Statements
and
Single Audit Act
Compliance

ESCANABA AREA PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 27, 2020

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Escanaba Area Public Schools* (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 84

As described in Note 17, the District implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. Accordingly, beginning net position of governmental activities, beginning fund balance of the student/school activity special revenue fund was restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of taxable valuations, tax rates and tax levies are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedule of changes in fiduciary net Position - co-mingled scholarships fund and the schedule of taxable valuations, tax rates and tax levies has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide an assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Escanaba Area Public School's (the "District") management's discussion and analysis is intended to assist the reader in focusing on significant issues, provide an overview of the District's financial activity, identify changes in the District's financial position, and its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Using this Annual Report

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

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

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

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

Combining and Individual Fund Financial Statements and Schedules

Other Information (Unaudited)

Single Audit Compliance

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

District-wide financial statements. The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position and the statement of activities, which appear first in the District's financial statements, include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, and uses the accrual basis of accounting. This means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

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

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

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

Fund types include the general fund, special revenue fund, debt service funds, capital projects funds and fiduciary funds. The general fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions, grants, and other intergovernmental revenues. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The debt service funds are used to record the funding and payment of principal and interest on bonded debt. The capital projects funds are used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities. The fiduciary funds account for assets held by the District in a trustee capacity.

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

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the District as a Whole

As stated earlier, the statement of net position provides the financial perspective of the District as a whole. At June 30, 2020, the District reported a deficit net position of \$31,671,718. The table below provides a summary of the District's net position as of June 30:

	Net Position		
	Governmental Activities		Percent Change
	2020	2019	
Assets			
Current and other assets	\$ 9,479,217	\$ 9,007,051	5.2%
Capital assets, net	31,625,203	32,497,010	-2.7%
Total assets	41,104,420	41,504,061	-1.0%
Deferred outflows of resources	15,880,493	16,128,317	-1.5%
Liabilities			
Current and other liabilities	6,074,525	6,118,973	-0.7%
Long-term liabilities	21,226,198	23,360,977	-9.1%
Net pension and OPEB liabilities	54,144,738	52,652,097	2.8%
Total liabilities	81,445,461	82,132,047	-0.8%
Deferred inflows of resources	7,211,170	6,762,688	100.0%
Net position			
Net investment in capital assets	12,307,329	11,106,074	10.8%
Restricted for:			
Debt service	504,523	593,376	-15.0%
Food service	59,841	53,442	12.0%
Unrestricted (deficit)	(44,543,411)	(43,015,249)	3.6%
Total net position (deficit)	\$ (31,671,718)	\$ (31,262,357)	-1.3%

Net investment in capital assets is the original cost of the District's capital assets, less accumulated depreciation, less the long-term debt outstanding used to finance the acquisition of those assets. The original cost of capital assets is approximately \$51,730,000 and \$52,085,000 for June 30, 2020 and 2019, respectively. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with accounting principles generally accepted in the United States of America (GAAP), depreciation expense is recorded as the original cost of the assets, less any estimated salvage value, expensed over the estimated useful life of the assets. Total accumulated depreciation was approximately \$20,105,000 and \$19,588,000 for the years ended June 30, 2020 and 2019, respectively. Total outstanding debt related to capital assets is approximately \$18,807,000 and \$20,648,000 at 2020 and 2019, respectively. The change in net investment in capital assets was primarily due to routine reduction of general obligation bond payments in accordance with payment terms as well as increases in capital assets.

Restricted net position for debt service and food service are by their nature restricted for use by laws or regulations of the State of Michigan. These balances totaled approximately \$505,000 and \$60,000, respectively for 2020, and approximately \$593,000 and \$53,000, respectively, for 2019.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

The remaining amount of net position, a deficit of approximately \$44,543,000 and \$43,015,000 for 2020 and 2019, respectively, represents the accumulated results of the current and all past years' operations and is attributable mainly to the impact of the recording of net pension and OPEB liabilities.

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

	Change in Net Position		
	Governmental Activities		Percent Change
	2020	2019	
Program revenues			
Charges for services - local	\$ 241,972	\$ 308,819	-21.6%
Operating grants - federal, state, and local	6,552,796	6,736,518	-2.7%
Total program revenues	6,794,768	7,045,337	-3.6%
General revenues			
Property taxes - operations	4,100,012	4,261,459	-3.8%
Property taxes - debt retirement	2,295,809	2,342,886	-2.0%
State of Michigan aid - unrestricted	14,439,248	13,991,664	3.2%
Other	593,779	315,047	88.5%
Gain on sale of capital assets	10,655	-	100.0%
Total general revenues	21,439,503	20,911,056	2.5%
Total revenues	28,234,271	27,956,393	1.0%
Expenses			
Instruction	16,475,847	15,924,297	3.5%
Supporting services	9,029,067	8,473,516	6.6%
Community services	98,307	120,380	-18.3%
Food services	1,467,497	1,315,577	11.5%
Interest on long-term debt	699,684	1,118,842	-37.5%
Unallocated depreciation	1,070,426	1,079,771	-0.9%
Total expenses	28,840,828	28,032,383	2.9%
Change in net position	(606,557)	(75,990)	698.2%
Net position (deficit):			
Beginning of year	(31,262,357)	(31,186,367)	-0.2%
Restatement for GASB 84	197,196	-	100.0%
End of year	\$ (31,671,718)	\$ (31,262,357)	-1.3%

Unrestricted state aid revenue accounted for 51% or approximately \$14,440,000 of the revenue available. This revenue is determined by a formula that incorporates pupil headcount, the annual per-pupil allowance, and the non-homestead property taxable values of the District. This revenue increased by approximately \$448,000 over the past year, mostly due to an increase in the per pupil foundation allowance from \$7,871 to \$8,111 for the current year.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Property tax revenues accounted for 23% or approximately \$6,396,000 of the total revenue. Of the total property tax revenues reported, approximately \$4,100,000 was allocated to operations and approximately \$2,296,000 was allocated to debt retirement. Property tax revenue decreased by approximately \$208,500 from the prior year level. This decrease was the result of an approximate decline in property tax value associated with the General Fund tax revenue in the amount of \$530,000 and a decline in the debt millage rate from 4.00 to 3.95 mills in the current year.

The expense portion of the table on the previous page shows the financial support of each functional area required during the year. Expenses increased from the prior fiscal year by approximately \$808,000. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$16,476,000 or 57% of total expenses. Support services costs are approximately \$9,029,000 or 31% of total expenses, which include such items as transportation, maintenance, security, supervision, counseling, athletics, and a variety of similar services that support the District's mission of educating children. The main reasons for the increase in overall expenses for the year were increased labor costs as a result of pay raises for union and non-union positions, a 2% increase in the employer share of health insurance benefits due to an increase in the statutory cap limitations, and increased contribution rates for the retirement system.

Major Governmental Fund Budgeting and Operating Highlights

The District's Funds

The overall fund balance of the governmental funds increased by approximately \$304,000 from the prior year. The general fund balance increased by approximately \$253,000 and the nonmajor governmental funds increased approximately \$51,000. The general fund increase related mainly to cost savings as a result of the school closure during the coronavirus epidemic.

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

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known and the State of Michigan's budget has been finalized. Therefore, it is expected that there will be changes between the initial budget and subsequent amendments, as actual enrollments are known and the State of Michigan's budget is adopted by October 1 and any subsequent budget amendments are made. The most significant fund budgeted is the general fund. The budget was amended during the year for various reasons. The most significant amendments, and the reasons for those amendments, were:

Revenue from state sources source - This category's budget was increased by approximately \$684,000, or 4% over the course of the school year. The main reason for this increase was a total student enrollment which was better than originally and conservatively budgeted.

Revenue from federal source - This category's budget was increased by approximately \$277,000, or 37% over the course of the school year. The main reason for this increase was to budget for various Title grant carryover funds from the prior fiscal year which hadn't become known until after the adoption of the original budget.

Instructional Staff expenditures - This budget for these costs was increased by approximately \$203,000, or 30%, over the course of the school year. The main reason for this increase was grant funded expenditures relating to the improvement of instruction through professional development.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Transfers out - This budget for interfund transfers out was increased by approximately \$243,000 over the course of the school year. The main reasons for this increase was a series of transfers to fund various tech related projects of District interest. Approximately \$150,000 was transferred to the Technology Fund to fund Year 1 of the 1:1 Initiative Project. This project strives to put learning devices in the hands of each and every student in the District. Approximately \$130,000 was transferred to make technological advancements at Lemmer Elementary School. And, approximately \$13,000 was transferred to provide internet devices to students as part of distance learning during the coronavirus epidemic.

There were also significant variations from the final amended budget. These variations are as follows:

Revenue from state source - This category came in approximately \$396,000 under the final amended budget. The main reason for this variance was state aid in the amount of \$404,772 being returned to the state as part of the state's revenue shortfall reduction which was determined after June 30, 2020.

Revenue from federal source - This category came in approximately \$146,000 under the final amended budget. The main reason for this variance was unspent grant funds that are carried over for use after June 30, 2020.

Instructional Staff expenditures - The actual costs for this category came in under the final amended budget by approximately \$133,000. The main reason for this variance was unspent grant funds relating to improvement of instruction being carried over for use after June 30, 2020.

Operations and maintenance expenditures - The actual costs for this category came in under the final amended budget by approximately \$126,000. The main reason for this variance was cost savings as a result of the school closure during the coronavirus epidemic.

General Fund Operations

Financial Highlights - General Fund					
Fiscal Year	Revenues and Transfers	Expenditures and Transfers	Fund Balance	Enrollment	Increase/ (Decrease) in Student Enrollment
2007-2008	\$ 21,516,630	\$ 21,580,929	\$ 2,526,994	2,778	(104)
2008-2009	21,431,735	21,407,472	2,551,257	2,716	(62)
2009-2010	22,728,518	23,507,969	1,771,806	2,712	(4)
2010-2011	22,590,284	22,716,143	1,647,236	2,628	(84)
2011-2012	22,202,500	22,869,719	980,017	2,587	(41)
2012-2013	21,418,411	21,115,220	1,283,208	2,522	(65)
2013-2014	21,649,496	20,995,286	1,443,710	2,511	(11)
2014-2015	22,001,072	21,766,576	1,639,463	2,479	(32)
2015-2016	22,566,778	23,504,571	870,240	2,403	(76)
2016-2017	23,037,020	22,441,091	1,466,169	2,363	(40)
2017-2018	22,728,452	22,985,376	1,397,969	2,289	(74)
2018-2019	23,753,946	23,074,839	2,077,076	2,329	40
2019-2020	23,662,991	23,588,517	2,329,764	2,313	(16)

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

In general fund operations, the total revenue was approximately \$23,663,000. This is above the original budgeted revenues of approximately \$23,368,000 and below the final amended budgeted revenues of approximately \$24,238,000, a decrease of approximately 1%. The actual expenditures of the general fund operations were approximately \$23,345,000. This is below both the original budget of approximately \$23,583,000 and the final budget of approximately \$23,786,000, a decrease of approximately 3%.

The major reason for total revenues exceeding the originally budgeted revenue is a result of better than expected student enrollment. Actual revenue being below final budgeted revenue was mainly due to unearned grant funds being carried over for use past June 30, 2020 and the return of state funds in the amount of approximately \$405,000. Actual expenditures were comparable with the original budget, but were below the final budgeted expenditures as a result of cost savings due to school closure during the coronavirus epidemic and unspent grant funds to be carried over into next fiscal year.

Governmental Fund Expenditures

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

	Expenditures	Percentage
General Fund	\$ 23,345,344	82.6%
Nonmajor governmental funds	4,931,571	17.4%
Total	\$ 28,276,915	100%

Governmental fund revenues totaled approximately \$28,224,000. Below is a summary of the governmental fund revenues by source and their percentages of total governmental funds:

	Revenues	Percentage
Local sources	\$ 7,428,720	26.2%
State sources	18,511,598	65.6%
Federal sources	2,096,525	7.4%
Other	186,773	0.7%
Total	\$ 28,223,616	100%

Unrestricted State Aid

The District is predominately funded by State aid based on a blended count formula that the State of Michigan utilizes. State aid membership counts were 2,313 and 2,329 for fiscal 2020 and 2019, respectively. The District experienced an overall increase in state funding of approximately \$160,000, mainly due to a \$240 increase per pupil in the foundation allowance offset by the return of \$405,000 for the state's revenue shortfall reduction.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Property Taxes

The District levies 18 mills of property taxes on all non-homestead property and 6 mills on commercial personal property located within the District for general fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the state equalized value, which is approximately 50% of the market value. The fiscal 2020 non-homestead and personal property tax levies totaled approximately \$4,100,000.

The District levied 3.95 mills of property taxes on all classes of property located within the District for bonded debt retirement. The levy is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement for fiscal year 2020 was approximately \$2,296,000.

Operating Grants - Federal, State, and Local

The primary sources of operating grants are the Federal Title I and Title II programs, the State funded At Risk program, and the Special Education Obligation funds required under the Headlee Amendment, State of Michigan legislation. Title I, Title II and At Risk programs assist students who are deemed to be at risk in the instructional process. For fiscal 2020, the District expended approximately \$642,000, \$74,000 and \$972,000 for the Title I, Title II and At Risk programs, respectively. In addition the District expended approximately \$1,207,000 of funding received from the U.S. Department of Agriculture to support the District's food service program.

Enrollment

The District's 2019-2020 blended enrollment totaled 2,313, which is a decrease of 16 students from the previous year. Escanaba Area Public Schools is located in Michigan's Upper Peninsula and is the second largest district in Michigan's upper peninsula.

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

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

Capital Assets and Debt Administration

Capital Assets. At June 30, 2020, the District had approximately \$51,730,000 invested in land and building, machinery and equipment, vehicles and buses. Approximately \$20,105,000 has been depreciated. Net book value totals approximately \$31,625,000. The years of construction of the District buildings and improvements ranges from 1931 to 2019. The District currently owns one kindergarten center, one secondary campus, and four elementary buildings of which one has been previously closed due to declining enrollment. The closed building is currently being used for storage of excess building equipment. For fiscal year 2020, the reconfiguration of building grade levels are BK/K at the Webster Kindergarten Center, grades 1-3 in each of two elementary buildings known as Lemmer Elementary and Soo Hill Elementary, grades 4-6 in the Upper Elementary building, grades 7-8 in the Junior High School and grades 9-12 at the Senior High School.

The District's capitalization policy is to capitalize assets purchased in amounts of more than \$5,000 that have an estimated useful life in excess of one year. During the year ended June 30, 2020, the District expended approximately \$367,000 for capital asset additions including approximately \$117,000 for buildings and improvements, \$71,000 for machinery and equipment, and \$178,000 for vehicles and buses.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Debt Administration. As of June 30, 2020, the District had approximately \$19,500,000 in bonds and bond premium outstanding from capital projects and approximately \$327,000 in installment purchase agreements outstanding. In addition, the District has approximately \$1,400,000 in early retirement incentives and compensated absences outstanding. The District collects property taxes to retire our bonded debt. Therefore, total growth in valuation is an important element in determining the District's ability to retire bonded debt and/or to incur additional debt. During the year ended June 30, 2020, the District entered into a new installment purchase agreement for the purchase of school buses in the amount of approximately \$178,000.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the District's 2021 fiscal year budgets. There are many important factors affecting the budget, two of which are our student count and state per-pupil foundation allowance. In 2019-20, the blended count decreased to 2,313 students. Enrollment is also expected to decline into the 2020-2021 school year as the Upper Peninsula of Michigan's employment opportunities continue to be limited, along with the unknown effects which will be brought on by coronavirus epidemic. The 2019-2020 fiscal year budget will reflect new initiatives and new opportunities for students while continually monitoring costs as state and local funding remains uncertain in these challenging times.

The Board of Education and administration worked closely with staff and community members to create a budget that would provide unique opportunities for students while remaining fiscally responsible. Continued changes in staff and programs were included in the fiscal 2021 budget. The Board of Education adopted a budget for the fiscal year 2020-2021 utilizing the use of fund balance. The Board and Administration continue to develop a strategy to reduce spending while providing a quality education to Escanaba area students and maintain the long-term fiscal health of the District.

On July 1, 2020, PA 123 of 2020 was signed into law, providing funding to the District under the Coronavirus Relief Fund. As part of the July state aid, the District received \$28,500 of District COVID Costs related to this funding that will be recognized in fiscal year 2021.

On July 31, 2020, PA 146 of 2020 was signed into law, providing funding to the District under the Coronavirus Relief Fund. As part of the August state aid, the District received \$809,543 of Coronavirus Relief Funds related to this funding that will be recognized in fiscal year 2021.

Requests For Information

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

BASIC FINANCIAL STATEMENTS

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DISTRICT-WIDE FINANCIAL STATEMENTS

ESCANABA AREA PUBLIC SCHOOLS

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Cash and investments	\$ 6,213,530
Receivables	3,220,696
Inventory	44,991
Capital assets not being depreciated	720,597
Capital assets being depreciated, net	<u>30,904,606</u>
Total assets	<u>41,104,420</u>
Deferred outflows of resources	
Deferred charge on bond refunding	508,457
Deferred pension amounts	12,376,584
Deferred other postemployment benefit amounts	<u>2,995,452</u>
Total deferred outflows of resources	<u>15,880,493</u>
Liabilities	
Accounts payable and accrued liabilities	2,789,162
Unearned revenue	108,885
State aid anticipation notes payable	3,176,478
Long-term debt:	
Due within one year	2,635,870
Due in more than one year	18,590,328
Net pension liability (due in more than one year)	44,391,340
Net other postemployment benefit liability (due in more than one year)	<u>9,753,398</u>
Total liabilities	<u>81,445,461</u>
Deferred inflows of resources	
Deferred pension amounts	2,971,138
Deferred other postemployment benefit amounts	<u>4,240,032</u>
Total deferred inflows of resources	<u>7,211,170</u>
Net position	
Net investment in capital assets	12,307,329
Restricted for:	
Debt service	504,523
Food service	59,841
Unrestricted (deficit)	<u>(44,543,411)</u>
Total net position (deficit)	<u>\$ (31,671,718)</u>

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 16,475,847	\$ -	\$ 5,119,320	\$ (11,356,527)
Supporting services	9,029,067	85,272	174,672	(8,769,123)
Community services	98,307	-	-	(98,307)
Food services	1,467,497	156,700	1,258,804	(51,993)
Interest on long-term debt	699,684	-	-	(699,684)
Unallocated depreciation	1,070,426	-	-	(1,070,426)
Total governmental activities	<u>\$ 28,840,828</u>	<u>\$ 241,972</u>	<u>\$ 6,552,796</u>	<u>(22,046,060)</u>
General revenues				
Property taxes - operations				4,100,012
Property taxes - debt service				2,295,809
State of Michigan aid - unrestricted				14,439,248
Other revenues				593,779
Gain on the sale of capital assets				10,655
Total general revenues				<u>21,439,503</u>
Change in net position				<u>(606,557)</u>
Net position, beginning of year, restated				<u>(31,065,161)</u>
Net position, end of year				<u>\$ (31,671,718)</u>

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

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FUND FINANCIAL STATEMENTS

ESCANABA AREA PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 4,996,988	\$ 1,216,542	\$ 6,213,530
Accounts receivable	123,149	3,967	127,116
Due from other funds	16,886	-	16,886
Due from other governments	3,009,986	83,594	3,093,580
Inventory	-	44,991	44,991
Total assets	\$ 8,147,009	\$ 1,349,094	\$ 9,496,103
Liabilities			
Accounts payable	\$ 38,464	\$ 49,609	\$ 88,073
Salaries payable	1,209,286	-	1,209,286
Accrued liabilities	1,328,515	33,043	1,361,558
Due to other funds	-	16,886	16,886
Unearned revenues	64,502	44,383	108,885
State aid anticipation notes payable	3,176,478	-	3,176,478
Total liabilities	5,817,245	143,921	5,961,166
Fund balances			
Nonspendable for inventories	-	44,991	44,991
Restricted:			
Debt service	-	634,768	634,768
Food service	-	14,850	14,850
Committed:			
Student groups	-	261,942	261,942
Assigned:			
Capital projects	-	248,622	248,622
Unassigned	2,329,764	-	2,329,764
Total fund balances	2,329,764	1,205,173	3,534,937
Total liabilities and fund balances	\$ 8,147,009	\$ 1,349,094	\$ 9,496,103

The accompanying notes are integral part of these financial statements.

ESCANABA AREA PUBLIC SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2020

Fund balances - total governmental funds	\$ 3,534,937
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	
Capital assets not being depreciated	720,597
Capital assets being depreciated, net	30,904,606
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and installment purchase agreements payable, and bond premium	(19,826,331)
Unamortized deferred charge on bond refunding	508,457
Accrued interest on bonds payable	(130,245)
Compensated absences and early retirement incentives payable	(1,399,867)
Certain pension and OPEB-related amounts, such as the net pension liability, net OPEB liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(44,391,340)
Deferred outflows of resources related to the net pension liability	12,376,584
Deferred inflows of resources related to the net pension liability	(2,971,138)
Net other postemployment benefit liability	(9,753,398)
Deferred outflows related to the net other postemployment benefit liability	2,995,452
Deferred inflows related to the net other postemployment benefit liability	(4,240,032)
Net position of governmental activities	<u>\$ (31,671,718)</u>

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 4,538,590	\$ 2,890,130	\$ 7,428,720
State sources	18,047,855	463,743	18,511,598
Federal sources	889,773	1,206,752	2,096,525
Other sources	186,773	-	186,773
Total revenues	23,662,991	4,560,625	28,223,616
Expenditures			
Current:			
Instructional services:			
Basic instruction	11,801,688	-	11,801,688
Added needs	3,188,976	-	3,188,976
Supporting services:			
Pupil services	1,779,915	-	1,779,915
Instructional staff	761,219	-	761,219
General administration	377,403	-	377,403
School administration	1,468,720	-	1,468,720
Business services	436,258	-	436,258
Operations and maintenance	1,495,703	-	1,495,703
Transportation	1,123,941	-	1,123,941
Central services	91,242	-	91,242
Athletics	461,214	-	461,214
Community services	89,038	-	89,038
Food services	-	1,409,164	1,409,164
Student activities	-	318,654	318,654
Public improvement	-	220,565	220,565
Debt service:			
Principal	69,990	1,950,000	2,019,990
Interest and fiscal charges	3,928	873,550	877,478
Capital outlay	196,109	159,638	355,747
Total expenditures	23,345,344	4,931,571	28,276,915
Revenues over (under) expenditures	317,647	(370,946)	(53,299)
Other financing sources (uses)			
Transfers in	-	3,066,723	3,066,723
Transfers out	(243,173)	(2,823,550)	(3,066,723)
Issuance of long-term debt	178,214	-	178,214
Proceeds from sale of capital assets	-	178,668	178,668
Total other financing sources (uses)	(64,959)	421,841	356,882
Net changes in fund balances	252,688	50,895	303,583
Fund balances, beginning of year, as restated	2,077,076	1,154,278	3,231,354
Fund balances, end of year	\$ 2,329,764	\$ 1,205,173	\$ 3,534,937

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

ESCANABA AREA PUBLIC SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds \$ 303,583

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, donated capital assets, proceeds from sale of capital assets, and gains (losses) on disposal of capital assets are not reported in the governmental funds.

Capital assets purchased/constructed	366,632
Depreciation expense	(1,070,426)
Proceeds on the sale of capital assets	(178,668)
Gain on the sale of capital assets	10,655

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

Principal payments on long-term debt	2,019,990
Proceeds from issuance of long-term debt	(178,214)
Amortization of bond premium, deferred charge on bond refunding, and change in accrued interest	247,121

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

Change in accrual for compensated absences and early retirement incentives	61,717
Change in net pension liability and related deferred amounts	(3,046,567)
Change in the net other postemployment benefit liability and related deferred amounts	857,620

Change in net position of governmental activities \$ (606,557)

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 4,674,974	\$ 4,572,021	\$ 4,538,590	\$ (33,431)
State sources	17,759,692	18,443,856	18,047,855	(396,001)
Federal sources	757,879	1,035,374	889,773	(145,601)
Other sources	175,775	186,773	186,773	-
Total revenues	23,368,320	24,238,024	23,662,991	(575,033)
Expenditures				
Current:				
Instructional services:				
Basic instruction	11,838,235	11,803,783	11,801,688	(2,095)
Added needs	3,302,475	3,228,191	3,188,976	(39,215)
Supporting services:				
Pupil services	1,727,879	1,788,080	1,779,915	(8,165)
Instructional staff	690,634	894,084	761,219	(132,865)
General administration	392,342	407,816	377,403	(30,413)
School administration	1,378,840	1,485,543	1,468,720	(16,823)
Business services	448,589	453,673	436,258	(17,415)
Operations and maintenance	1,578,635	1,621,414	1,495,703	(125,711)
Transportation	1,224,382	1,146,276	1,123,941	(22,335)
Central services	131,543	127,763	91,242	(36,521)
Athletics	480,287	471,307	461,214	(10,093)
Community services	95,281	79,115	89,038	9,923
Debt service:				
Principal	68,903	69,990	69,990	-
Interest and fiscal charges	5,015	3,928	3,928	-
Capital outlay	220,335	204,689	196,109	(8,580)
Total expenditures	23,583,375	23,785,652	23,345,344	(440,308)
Revenues over (under) expenditures	(215,055)	452,372	317,647	(134,725)
Other financing sources (uses)				
Transfers in	37,000	-	-	-
Transfers out	-	(243,173)	(243,173)	-
Proceeds from loans	178,214	178,214	178,214	-
Total other financing sources (uses)	215,214	(64,959)	(64,959)	-
Net change in fund balance	159	387,413	252,688	(134,725)
Fund balance, beginning of year	2,077,076	2,077,076	2,077,076	-
Fund balance, end of year	\$ 2,077,235	\$ 2,464,489	\$ 2,329,764	\$ (134,725)

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2020

Assets

Cash and cash equivalents	\$ 607,828
Accounts receivable	705
Interest receivable	834
Investments - at fair value:	
Corporate bonds	25,526
Common stocks	1,938,881
Mutual funds	3,250,174
Real estate exchange traded funds	<u>325,193</u>
Total assets	<u>6,149,141</u>
Net position restricted for scholarships	<u><u>\$ 6,149,141</u></u>

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the Year Ended June 30, 2020

Additions	
Contributions	\$ 176,595
Investment income:	
Interest and dividends	168,042
Net decrease in fair value of investments	(128,168)
Total investment income	39,874
Total additions	216,469
Deductions	
Scholarships and trophies	388,049
Trustee fees	36,344
Total deductions	424,393
Change in net position	(207,924)
Net position, beginning of year	6,357,065
Net position, end of year	\$ 6,149,141

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

NOTES TO FINANCIAL STATEMENTS

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

District-wide and Fund Financial Statements

The District-wide financial statements (i.e., the *statement of net position* and the *statement of activities*) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2020.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

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

The District reports the *general fund* as its only major governmental fund and the District's primary operating fund. It accounts for all financial resources of the District, except for those accounted for and reported in another fund.

Additionally, the District reports the following fund types:

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

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *debt service funds* are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

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

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

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

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

Deposits and Investments

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

Investments are reported at fair value.

Receivables and Payables

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). There were no interfund advances outstanding at June 30, 2020.

Other Assets

Other assets consists of inventories which are valued at cost (first-in, first-out) and prepaid items. Inventories consist of expendable supplies held for sale or consumption. The cost is recorded as an expenditure when consumed or sold rather than when purchased. Prepaid items represent disbursements to vendors in the current period that benefit operations in subsequent periods. Reported inventories and prepaid items are equally offset by nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment and vehicles and buses, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

Assets	Years
Buildings and improvements	5-50
Machinery and equipment	5-20
Vehicles and buses	8-10

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension and net other postemployment benefit plans as well as for the deferred charge on bond refunding. A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A portion of the deferred outflows of resources represents contributions to the pension and other postemployment benefit plans subsequent to the measurement date.

Salaries Payable and Other Accrued Liabilities

Salaries payable are recorded at June 30, 2020 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

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

Compensated Absences and Early Retirement Benefits

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

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Amounts due to retired employees who are currently eligible to receive early retirement incentives are reported as a liability on the statement of net position. The early retirement benefits consist of early retirement incentive cash payments provided to eligible employees for six years following retirement.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources are related to pension and net other postemployment benefit costs in the District-wide statement of net position.

Long-term Obligations

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

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

Fund Balances

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

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Interfund Transactions

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

Property Taxes

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2019 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

Pensions and Other Postemployment Benefits

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. The most sensitive accounting estimates affecting the financial statements include management's estimate of the useful lives of depreciable capital assets, management's estimate of the accrued compensated absences, and management's estimate of the net pension and OPEB liabilities and related deferred amounts.

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by the State of Michigan school aid appropriations act. State funding represents 76% of the District's general fund revenue during the 2020 fiscal year.

3. DEFICIT NET POSITION

Governmental activities reported a deficit in unrestricted net position in the amount of \$44,543,411 at June 30, 2020. Total net position amounted to a deficit of \$31,671,718.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

4. BUDGETARY INFORMATION

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

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with GAAP, and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the District were adopted at the functional level by the Board of Education for all governmental funds, which is the legal level of control. During the year ended June 30, 2020, the District incurred expenditures in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund:			
Community services	\$ 79,115	\$ 89,038	\$ 9,923

5. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2020:

	Totals
Statement of Net Position	
Cash and investments	\$ 6,213,530
Statement of Fiduciary Net Position	
Private Purpose Trusts:	
Cash and cash equivalents	607,828
Investments	5,539,774
Total	<u>\$ 12,361,132</u>
Deposits and investments	
Bank deposits (checking accounts, savings accounts)	<u>\$ 2,163,034</u>
Investments in securities and mutual funds:	
Pooled investments	4,658,124
Corporate bonds	25,526
Common stocks	1,938,881
Mutual funds	3,250,174
Real estate exchange traded funds	325,193
Total investments in securities and mutual funds	<u>10,197,898</u>
Cash on hand	<u>200</u>
Total	<u>\$ 12,361,132</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Michigan law authorizes the District to deposit and invest in:

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

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

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

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

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

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

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

Investment and Deposit Risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$1,390,173 of the District's bank balance of \$1,816,431 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The investments held by the District are not exposed to custodial credit risk since they are held in the counterparty's trust department in the District's name.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The District chooses to disclose its investments by investment type. As of June 30, 2020, the District had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 4,658,124	AAAm (S&P)
Mutual funds	N/A	3,250,174	N/A
Common stocks	N/A	1,938,881	N/A
Real estate exchange traded funds	N/A	325,193	AA (S&P)
Corporate bonds	Less than 1 year	<u>25,526</u>	N/A
Total		<u><u>\$ 10,197,898</u></u>	

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified under “statutory authority” above. The District’s investment policy requires investments to be diversified by specific maturity dates and by individual financial institutions of a specific class of securities as a means of managing its exposure to fair value losses arising from increasing interest rates and in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The maturity date for each investment is identified above for investments held at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools as identified under “statutory authority” above. The District’s investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk - Investments. Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agency but not in the government’s name. In accordance with the District’s investment policy, all investments are held in the name of the District and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified under “statutory authority” above. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. These levels are determined by the District’s finance director and are determined at the fund level based on a review of the investment’s class, structure, and what kind of securities are held in the funds. The finance director will request the information from the fund manager, if necessary.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The District had the following recurring fair value measurements as of June 30, 2020:

Investment Type	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 3,250,174	\$ -	\$ -	\$ 3,250,174
Common stocks	1,938,881	-	-	1,938,881
Real estate exchange traded funds	325,193	-	-	325,193
Corporate bonds	25,526	-	-	25,526
Total	<u>\$ 5,539,774</u>	<u>\$ -</u>	<u>\$ -</u>	5,539,774
Investments carried at net asset value:				
Michigan CLASS government investment pool				<u>4,658,124</u>
Total investments at fair value				<u>\$ 10,197,898</u>

Investments in Entities that Calculate Net Asset Value per Share. The District holds shares in Michigan CLASS whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the District's investment in Michigan CLASS was \$4,658,124. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

6. RECEIVABLES

Receivable as of June 30, 2020 are comprised of the following:

	Amount
Accounts receivable	\$ 127,116
Due from other governments	<u>3,093,580</u>
	<u>\$ 3,220,696</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2020, are comprised of the following:

	Amount
Accounts payable	\$ 88,073
Salaries payable	1,209,286
Accrued liabilities	1,361,558
Accrued Interest on long-term debt	<u>130,245</u>
Total accounts payable and accrued liabilities	<u>\$ 2,789,162</u>

8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The District reports interfund balances between certain funds. These interfund balances resulted primarily from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. As of June 30, 2020, the general fund had an outstanding receivable from the food service fund of \$16,886.

For the year ended June 30, 2020, interfund transfers consisted of the following:

	Transfers In	
	Nonmajor governmental funds	
Transfers Out		
General fund	\$	243,173
Nonmajor governmental funds		<u>2,823,550</u>
Total	\$	<u>3,066,723</u>

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

9. CAPITAL ASSETS

Capital assets activity was as follows for the year ended June 30, 2020:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 720,597	\$ -	\$ -	\$ 720,597
Capital assets, being depreciated:				
Buildings and improvements	46,908,781	116,981	(358,108)	46,667,654
Machinery and equipment	2,630,922	71,437	(146,364)	2,555,995
Vehicles and buses	1,824,904	178,214	(217,569)	1,785,549
	<u>51,364,607</u>	<u>366,632</u>	<u>(722,041)</u>	<u>51,009,198</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,286,079)	(883,220)	207,415	(16,961,884)
Machinery and equipment	(1,749,817)	(97,557)	129,044	(1,718,330)
Vehicles and buses	(1,552,298)	(89,649)	217,569	(1,424,378)
	<u>(19,588,194)</u>	<u>(1,070,426)</u>	<u>554,028</u>	<u>(20,104,592)</u>
Total capital assets being depreciated, net	<u>31,776,413</u>	<u>(703,794)</u>	<u>(168,013)</u>	<u>30,904,606</u>
Governmental activities capital assets, net	<u>\$ 32,497,010</u>	<u>\$ (703,794)</u>	<u>\$ (168,013)</u>	<u>\$ 31,625,203</u>

Depreciation expense of \$1,070,426 is reported as unallocated in the statement of activities.

At June 30, 2020, the District had construction commitments totaling \$147,735 for renovations to the high school and Lemmer School.

10. STATE AID ANTICIPATION NOTES PAYABLE

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

Short-term debt activity related to these notes for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
State aid anticipation notes payable	\$ 3,219,631	\$ 3,950,000	\$ (3,993,153)	\$ 3,176,478

The balance at June 30, 2020 includes accrued interest of \$40,764.

The notes which carry an interest rate of 1.3%, are repaid annually as a reduction of state aid with the remaining outstanding balance repaid in July and August.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

11. LONG-TERM DEBT

Long-term debt of the District consists of the following at June 30, 2020:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
Governmental activities					
General obligation bonds	\$ 20,430,000	\$ -	\$ (1,950,000)	\$ 18,480,000	\$ 2,045,000
Notes from direct borrowings and direct placements	218,343	178,214	(69,990)	326,567	104,575
	<u>20,648,343</u>	<u>178,214</u>	<u>(2,019,990)</u>	<u>18,806,567</u>	<u>2,149,575</u>
Bond premium	1,251,050	-	(231,286)	1,019,764	231,286
Early retirement incentives and compensated absences	1,461,584	439,879	(501,596)	1,399,867	255,009
	<u>1,461,584</u>	<u>439,879</u>	<u>(501,596)</u>	<u>1,399,867</u>	<u>255,009</u>
Total long-term liabilities	<u>\$ 23,360,977</u>	<u>\$ 618,093</u>	<u>\$ (2,752,872)</u>	<u>\$ 21,226,198</u>	<u>\$ 2,635,870</u>

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

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

Long-term debt at June 30, 2020, includes the following:

General obligation bonds

\$19,685,000, 2014 refunding unlimited tax bonds, due in annual installments ranging from \$430,000 to \$1,800,000 with final payment due May 1, 2030. Interest is paid semi-annually at rates varying from 3.25% to 5.00%.

\$ 16,955,000

\$6,565,000, 2016 refunding bonds, due in annual installments ranging from \$1,440,000 to \$1,525,000 with final payment due on May 1, 2021. Interest is paid semi-annually at rates varying from 3.00% to 5.00%.

1,525,000

Total general obligation bonds

18,480,000

Premium on bonds

1,019,764

Total

19,499,764

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Notes from direct borrowings and direct placements

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

\$ 115,353

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

33,000

\$178,214, Installment purchase agreement for two buses, due in annual installments of \$28,426 through July 2024, plus interest charged at 2.56%.

178,214

Total notes from direct borrowings and direct placements

326,567

19,826,331

Early retirement incentives and compensated absences

1,399,867

Total long-term debt

\$ 21,226,198

Early retirement incentives and accrued compensated absences

The current employment contracts with teachers and administrators allow the option of early retirement to those employees who meet state requirements for retirement. Qualified retirees shall receive an early retirement incentive of \$150 per month for a period of up to six years. At June 30, 2020, 42 retirees were receiving or eligible to begin receiving the early retirement incentive, with \$48,000 being paid to these individuals during 2019-2020. The total early retirement incentive liability at June 30, 2020 was \$143,100.

Accrued employee benefits included in long-term debt are for the accumulated terminal leave of employees from unused sick leave and the early retirement incentive, as previously discussed. The total outstanding accumulated terminal leave at June 30, 2020 was \$1,256,767.

The estimated debt service requirements on bonded debt for principal and interest to maturity as of June 30, 2020 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2021	\$ 2,045,000	\$ 775,050	\$ 2,820,050
2022	1,775,000	672,800	2,447,800
2023	1,795,000	584,050	2,379,050
2024	1,840,000	494,300	2,334,300
2025	1,855,000	402,300	2,257,300
2026-2030	9,170,000	942,350	10,112,350
Total	<u>\$ 18,480,000</u>	<u>\$ 3,870,850</u>	<u>\$ 22,350,850</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The estimated debt service requirements on installment purchase agreements (direct placement notes) for principal and interest to maturity as of June 30, 2020 are as follows:

Year Ending June 30,	Installment Purchase Agreements		
	Principal	Interest	Total
2021	\$ 104,575	\$ 7,290	\$ 111,865
2022	73,177	5,209	78,386
2023	74,816	3,572	78,388
2024	36,532	959	37,491
2025	37,467	959	38,426
Total	\$ 326,567	\$ 17,989	\$ 344,556

The debt service requirements for accrued compensated absences are dependent upon future employee retirements and terminations. Thus, future payments are unknown at June 30, 2020. Compensated absences and early retirement incentives are generally liquidated by the general fund.

12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

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

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

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Pension Benefits Provided

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

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

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	18.25% - 19.41%
Member Investment Plan (MIP)	3.00% - 7.00%	18.25% - 19.41%
Pension Plus	3.00% - 6.40%	16.46%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

For the year ended June 30, 2020, required and actual contributions from the District to the pension plan were \$3,518,789, which included \$1,454,964, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.93% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

For the year ended June 30, 2020, required and actual contributions from the District to the OPEB plan were \$989,956.

The table below summarizes defined contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2020, required and actual contributions from the District for those members with a defined contribution benefit were \$221,034.

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

At June 30, 2020, the District reported a liability of \$44,391,340 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The District’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the District’s proportion was 0.13405%, which was a decrease of 0.00390% from its proportion measured as of September 30, 2018.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2020, the District recognized pension expense of \$6,695,368. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 198,976	\$ 185,108	\$ 13,868
Changes in assumptions	8,691,856	-	8,691,856
Net difference between projected and actual earnings on pension plan investments	-	1,422,667	(1,422,667)
Changes in proportion and differences between employer contributions and proportionate share of contributions	103,336	1,363,363	(1,260,027)
	<u>8,994,168</u>	<u>2,971,138</u>	<u>6,023,030</u>
District contributions subsequent to the measurement date	3,382,416	-	3,382,416
	<u>3,382,416</u>	<u>-</u>	<u>3,382,416</u>
Total	<u>\$ 12,376,584</u>	<u>\$ 2,971,138</u>	<u>\$ 9,405,446</u>

The \$3,382,416 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	\$ 2,475,559
2022	1,860,741
2023	1,198,347
2024	<u>488,383</u>
Total	<u>\$ 6,023,030</u>

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

At June 30, 2020, the District reported a liability of \$9,483,253 for its proportionate share of the MPERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.13212% which was a decrease of 0.00501% from its proportion measured as of September 30, 2018.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2020, the District recognized OPEB expense of \$104,632. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 3,479,674	\$ (3,479,674)
Changes in assumptions	2,054,829	-	2,054,829
Net difference between projected and actual earnings on OPEB plan investments	-	164,918	(164,918)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,196	588,881	(586,685)
	<u>2,057,025</u>	<u>4,233,473</u>	<u>(2,176,448)</u>
District contributions subsequent to the measurement date	905,717	-	905,717
	<u>2,962,742</u>	<u>4,233,473</u>	<u>(1,270,731)</u>
Total	<u>\$ 2,962,742</u>	<u>\$ 4,233,473</u>	<u>\$ (1,270,731)</u>

The \$905,717 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2021	\$ (579,418)
2022	(579,418)
2023	(497,507)
2024	(346,742)
2025	<u>(173,363)</u>
Total	<u>\$ (2,176,448)</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2018 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80%
Pension Plus plan (hybrid)	6.80%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2019, are based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4977 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.7101 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

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Notes to Financial Statements

Long-term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		5.65%
Inflation			2.30%
Risk adjustment			<u>-1.15%</u>
Investment rate of return			<u>6.80%</u>

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Notes to Financial Statements

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		<u>5.65%</u>
Inflation			2.30%
Risk adjustment			-1.00%
Investment rate of return			<u>6.95%</u>

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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Notes to Financial Statements

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
District's proportionate share of the net pension liability	\$ 57,711,581	\$ 44,391,340	\$ 33,348,400

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net OPEB liability	\$ 11,632,635	\$ 9,483,253	\$ 7,678,369

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Notes to Financial Statements

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

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

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 7,601,850	\$ 9,483,253	\$ 11,632,380

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2020, the District reported a payable of \$604,400 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2020.

Payable to the OPEB Plan

At June 30, 2020, the District reported a payable of \$141,603 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2020.

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

District Defined Benefit Life Insurance Plan

Plan Description. The District administers the Escanaba Area Public Schools Retiree Life Insurance Plan (the "Plan"), a single-employer defined benefit life insurance plan, that can be amended at the District's board members discretion. In addition to the retirement benefits described above, the Plan provides various levels of life insurance to certain retirees up to the age 70, depending on the applicable employee group. The Plan does not prepare separately-issued financial statements.

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Funding Policy. The contribution requirements of Plan members and the District are established and may be amended by the Board of Education. The plan's funding policy is that the employer will make benefit payments from general operating funds on a pay-as-you-go basis. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves. For the year ended June 30, 2020, the District contributed \$38,542 to the Plan.

Membership of the Plan consisted of the following at June 30, 2020, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	132
Active plan members	149
Total	281

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation of June 30, 2019 rolled forward to June 30, 2020. The following actuarial assumptions were used in the measurement:

Actuarial cost method	Entry age (level percentage of compensation)
Amortization method	9-year, level percent of pay
Inflation	N/A - plan is not pre-funded
Salary increases	3.5% (for purposes of allocating liability)
Investment rate of return	N/A - plan is not pre-funded
20-year Aa Municipal bond rate	2.7%
Mortality	2010 public teacher and general employees and healthy retirees, headcount weighted.
Premiums	Monthly premiums based on the following: \$26.00 administrators and supervisors; \$19.50 EEA, and \$16.90 teamsters and non-union

Discount Rate -The discount rate used to measure the total OPEB liability was 3.0% for 2020 contribution; 2.66% for June 30, 2020 disclosure and 2021 contribution. The Plan is funded on a pay-as-you-go basis, therefore, the AA municipal bond index of 3.0% was applied to all future periods.

Assumption changes since prior valuation include updated mortality tables and updated salary scale.

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Notes to Financial Statements

Changes in Total OPEB liability

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

	Fiscal Year Ending June 30, 2020
<i>Total OPEB Liability</i>	
Service cost	\$ 8,856
Interest	8,093
Difference between expected and actual experience	6,893
Change in assumptions	4,664
Benefit payments (including refunds of employee contributions)	<u>(38,542)</u>
Net change in total OPEB liability	(10,036)
Total OPEB liability - beginning of year	<u>280,181</u>
Total OPEB Liability - end of year	<u><u>\$ 270,145</u></u>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$23,834. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 27,565	\$ -	\$ 27,565
Changes in assumptions	<u>5,145</u>	<u>6,559</u>	<u>(1,414)</u>
	<u><u>\$ 32,710</u></u>	<u><u>\$ 6,559</u></u>	<u><u>\$ 26,151</u></u>

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

Year Ended June 30,	Amount Recognized
2021	\$ 6,885
2022	6,885
2023	5,921
2024	5,523
2025	<u>937</u>
Total	<u><u>\$ 26,151</u></u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

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

	1% Decrease (2.0%)	Current Discount Rate (3.0%)	1% Increase (4.0%)
District's total OPEB liability	\$ 284,708	\$ 270,145	\$ 256,500

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

The following presents the District's total OPEB liability calculated using the assumed trend rate of 0%, as well as what the District's total OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (-1.0%)	Current Trend Rate (0.0%)	1% Increase (1.0%)
District's total OPEB liability	\$ 247,947	\$ 270,145	\$ 295,483

14. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2020, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 720,597
Capital assets being depreciated, net	<u>30,904,606</u>
	<u>31,625,203</u>
Related debt:	
Bonds and installment purchase agreements	(18,806,567)
Premiums on bonds payable	(1,019,764)
Deferred loss on bond refunding	<u>508,457</u>
	<u>(19,317,874)</u>
Net investment in capital assets	<u><u>\$ 12,307,329</u></u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

15. COMMITMENTS AND CONTINGENCIES

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

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

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

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2020.

16. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the District's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it will continue to place additional demands on the District as it determines the appropriate methods to deliver education to students in a safe environment. While management reasonably expects the COVID-19 outbreak to negatively impact the District's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

17. RESTATEMENTS

The District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result of this change, beginning fund balance of the student activity special revenue fund and beginning net position of governmental activities was increased by \$197,196.

18. SUBSEQUENT EVENT

In August 2020, the District borrowed \$3,950,000 on state aid anticipation notes with effective interest charged from 0.7% to 0.25% maturing in July and August 2021.



REQUIRED SUPPLEMENTARY INFORMATION

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,		
	2020	2019	2018
District's proportionate share of the net pension liability	\$ 44,391,340	\$ 41,471,358	\$ 36,293,818
District's proportion of the net pension liability	0.13405%	0.13795%	0.14005%
District's covered payroll	\$ 11,545,499	\$ 11,671,363	\$ 11,550,184
District's proportionate share of the net pension liability as a percentage of its covered payroll	384.49%	355.33%	314.23%
Plan fiduciary net position as a percentage of the total pension liability	60.31%	62.36%	64.21%

See notes to required supplementary information.



Year Ended June 30,		
2017	2016	2015

\$ 44,391,340	\$ 34,115,831	\$ 29,492,376
0.14288%	0.13968%	0.13389%
\$ 12,196,742	\$ 12,316,387	\$ 12,089,451
363.96%	277.00%	243.95%
63.27%	63.17%	66.20%

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan Schedule of the District's Pension Contributions

	Year Ended June 30,		
	2020	2019	2018
Statutorily required contribution	\$ 3,518,789	\$ 3,441,147	\$ 3,727,557
Contributions in relation to the statutorily required contribution	<u>(3,518,789)</u>	<u>(3,441,147)</u>	<u>(3,727,557)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,855,233	\$ 11,496,598	\$ 11,697,921
Contributions as a percentage of covered payroll	29.68%	29.93%	31.87%

See notes to required supplementary information.



Year Ended June 30,		
2017	2016	2015
\$ 3,244,186	\$ 3,271,804	\$ 3,140,498
<u>(3,244,186)</u>	<u>(3,271,804)</u>	<u>(3,140,498)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 12,002,957	\$ 12,667,478	\$ 12,406,912
27.03%	25.83%	25.31%

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information

MPERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,		
	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 9,483,253	\$ 10,900,558	\$ 12,425,644
District's proportion of the net OPEB liability	0.13212%	0.13713%	0.14032%
District's covered payroll	\$ 11,545,499	\$ 11,671,363	\$ 11,550,184
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.14%	93.40%	107.58%
Plan fiduciary net position as a percentage of the total OPEB liability	48.46%	42.95%	36.39%

See notes to required supplementary information.

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,		
	2020	2019	2018
Statutorily required contributions	\$ 989,956	\$ 942,954	\$ 900,666
Contributions in relation to the statutorily required contributions	<u>(989,956)</u>	<u>(942,954)</u>	<u>(900,666)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,855,233	\$ 11,496,598	\$ 11,697,921
Contributions as a percentage of covered payroll	8.35%	8.20%	7.70%

See notes to required supplementary information.

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information

Single-Employer Defined Benefit Life Insurance Plan - Other Post Employment Benefit (OPEB) Plan Schedule of Changes in the Total OPEB Liability and Related Ratios

	Year Ended June 30,		
	2020	2019	2018
<i>Total OPEB Liability</i>			
Service Cost	\$ 8,856	\$ 7,840	\$ 8,043
Interest	8,093	8,035	8,747
Difference between expected and actual experience	6,893	31,796	2,154
Change in assumptions	4,664	(9,905)	3,258
Benefit payments (including refunds of employee contributions)	(38,542)	(34,625)	(37,994)
Other changes	-	(302)	-
Net change in total OPEB liability	(10,036)	2,839	(15,792)
Total OPEB liability, beginning of year	280,181	277,342	293,134
Total OPEB Liability, end of year	270,145	280,181	277,342
District's covered payroll	\$ 11,728,625	\$ 11,628,280	Not Available
Total OPEB liability as percentage of covered-employee payroll	2.3%	2.4%	Not Available

See notes to required supplementary information.

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information

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

	Year Ended June 30,		
	2020	2019	2018
Statutorily required contributions	\$ 40,569	\$ 36,023	\$ 38,627
Contributions in relation to the statutorily required contributions	<u>(38,542)</u>	<u>(34,923)</u>	<u>(37,994)</u>
Contribution deficiency	<u>\$ 2,027</u>	<u>\$ 1,100</u>	<u>\$ 633</u>
District's covered payroll	\$ 11,728,625	\$ 11,628,280	Not Available
Contributions as a percentage of covered payroll	0.35%	0.31%	Not Available

See notes to required supplementary information.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of date will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of date will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

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

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of date will be presented.

Notes to the Schedule of Employer Contributions

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Methods:	
Cost method	Entry Age Normal (level percentage of compensation)
Asset valuation method	N/A, plan is not pre-funded
Amortization method	10-year, level percent of pay
Actuarial Assumptions:	
Discount rate	3.00%
Salary scale	3.50%

ESCANABA AREA PUBLIC SCHOOLS

Notes to Required Supplementary Information

Notes to the Schedule of Employer Contributions

Mortality rates	2010 public teacher and general employees and healthy retirees, headcount weighted.
Utilization	100% of eligible employees will elect coverage at retirement; actual coverage used for non-active.
Turnover rates	None
Insurance rate trends	0% per annum based on premium has both increased and decreased over time; therefore no long term increase or decrease is incorporated.

Retirement - see rates below

Age
50
51-52
53
54-58
59-61
62-63
64
65

Marital assumption - N/A; no spouse benefits
 Inflation - 0% per annum

Monthly Premiums

	2020
Administrators and Supervisors	\$ 26.00
EEA	19.50
Teamsters and Non-union	16.90

Assumption changes since prior valuation
 Mortality tables updated
 Salary scale updated



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

ESCANABA AREA PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 4,314,515	\$ 4,109,603	\$ 4,099,928	\$ (9,675)
Local restricted	9,014	7,139	7,139	-
Other local revenue	351,445	455,279	431,523	(23,756)
Total local sources	4,674,974	4,572,021	4,538,590	(33,431)
State sources:				
State aid unrestricted	13,597,652	14,432,327	14,027,557	(404,770)
State aid restricted	4,162,040	4,011,529	4,020,298	8,769
Total state sources	17,759,692	18,443,856	18,047,855	(396,001)
Federal sources	757,879	1,035,374	889,773	(145,601)
Other sources:				
Other restricted	175,775	186,773	186,773	-
Total revenues	23,368,320	24,238,024	23,662,991	(575,033)
Expenditures				
Current:				
Basic instruction:				
Salaries	4,906,788	4,855,423	4,849,120	(6,303)
Fringe benefits	4,654,128	4,658,125	4,695,394	37,269
Purchased services	546,194	497,297	482,025	(15,272)
Supplies	1,731,125	1,792,938	1,775,149	(17,789)
	11,838,235	11,803,783	11,801,688	(2,095)
Added needs:				
Salaries	1,790,025	1,776,121	1,755,840	(20,281)
Fringe benefits	1,321,080	1,253,329	1,244,364	(8,965)
Purchased services	40,786	31,959	23,647	(8,312)
Supplies	150,584	166,782	165,125	(1,657)
	3,302,475	3,228,191	3,188,976	(39,215)
Total instruction	15,140,710	15,031,974	14,990,664	(41,310)
Support services:				
Pupil services:				
Salaries	902,407	941,625	925,291	(16,334)
Fringe benefits	698,548	707,862	721,871	14,009
Purchased services	121,139	121,716	112,144	(9,572)
Supplies	5,785	16,877	20,609	3,732
	1,727,879	1,788,080	1,779,915	(8,165)

continued...

ESCANABA AREA PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Continued)				
Current (continued):				
Support services (continued):				
Instructional staff:				
Salaries	\$ 284,810	\$ 305,575	\$ 270,334	\$ (35,241)
Fringe benefits	198,825	197,645	180,551	(17,094)
Purchased services	10,192	200,316	145,985	(54,331)
Supplies	196,807	190,548	164,349	(26,199)
	<u>690,634</u>	<u>894,084</u>	<u>761,219</u>	<u>(132,865)</u>
General administration:				
Salaries	173,804	175,360	175,803	443
Fringe benefits	114,848	121,811	116,036	(5,775)
Purchased services	80,640	93,445	75,614	(17,831)
Supplies	23,050	17,200	9,950	(7,250)
	<u>392,342</u>	<u>407,816</u>	<u>377,403</u>	<u>(30,413)</u>
School administration:				
Salaries	821,343	757,022	757,753	731
Fringe benefits	490,238	661,623	653,928	(7,695)
Purchased services	8,638	5,986	3,699	(2,287)
Supplies	58,621	60,912	53,340	(7,572)
	<u>1,378,840</u>	<u>1,485,543</u>	<u>1,468,720</u>	<u>(16,823)</u>
Business services:				
Salaries	169,828	170,755	171,294	539
Fringe benefits	116,424	122,889	122,273	(616)
Purchased services	46,518	41,118	27,202	(13,916)
Supplies	15,227	49,583	46,162	(3,421)
Interest on state aid note payable	100,592	69,328	69,327	(1)
	<u>448,589</u>	<u>453,673</u>	<u>436,258</u>	<u>(17,415)</u>
Operations and maintenance:				
Salaries	214,497	184,016	180,040	(3,976)
Fringe benefits	175,501	166,042	169,889	3,847
Purchased services	686,322	769,416	705,068	(64,348)
Supplies	502,315	501,940	440,706	(61,234)
	<u>1,578,635</u>	<u>1,621,414</u>	<u>1,495,703</u>	<u>(125,711)</u>
Transportation:				
Salaries	518,160	444,724	440,540	(4,184)
Fringe benefits	425,082	419,021	434,963	15,942
Purchased services	114,200	124,666	118,551	(6,115)
Supplies	166,940	157,865	129,887	(27,978)
	<u>1,224,382</u>	<u>1,146,276</u>	<u>1,123,941</u>	<u>(22,335)</u>

continued...

ESCANABA AREA PUBLIC SCHOOLS

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

General Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Concluded)				
Current (concluded):				
Supporting services (concluded):				
Central services:				
Purchased services	\$ 131,543	\$ 127,763	\$ 91,242	\$ (36,521)
Athletics:				
Salaries	206,138	170,207	167,487	(2,720)
Fringe benefits	70,220	89,970	87,632	(2,338)
Purchased services	142,912	136,811	121,731	(15,080)
Supplies	61,017	74,319	84,364	10,045
	<u>480,287</u>	<u>471,307</u>	<u>461,214</u>	<u>(10,093)</u>
Total support services	<u>8,053,131</u>	<u>8,395,956</u>	<u>7,995,615</u>	<u>(400,341)</u>
Community services:				
Salaries	42,359	39,114	51,924	12,810
Fringe benefits	20,023	17,158	26,668	9,510
Purchased services	30,510	16,762	7,191	(9,571)
Supplies	2,389	6,081	3,255	(2,826)
Total community services	<u>95,281</u>	<u>79,115</u>	<u>89,038</u>	<u>9,923</u>
Debt service:				
Principal	68,903	69,990	69,990	-
Interest and fiscal charges	5,015	3,928	3,928	-
Total debt service	<u>73,918</u>	<u>73,918</u>	<u>73,918</u>	<u>-</u>
Capital outlay	<u>220,335</u>	<u>204,689</u>	<u>196,109</u>	<u>(8,580)</u>
Total expenditures	<u>23,583,375</u>	<u>23,785,652</u>	<u>23,345,344</u>	<u>(440,308)</u>
Revenues over (under) expenditures	<u>(215,055)</u>	<u>452,372</u>	<u>317,647</u>	<u>(134,725)</u>
Other financing sources (uses)				
Transfers in	37,000	-	-	-
Transfers out	-	(243,173)	(243,173)	-
Issuance of long-term debt	178,214	178,214	178,214	-
Total other financing sources (uses)	<u>215,214</u>	<u>(64,959)</u>	<u>(64,959)</u>	<u>-</u>
Net change in fund balance	159	387,413	252,688	(134,725)
Fund balance, beginning of year	<u>2,077,076</u>	<u>2,077,076</u>	<u>2,077,076</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,077,235</u>	<u>\$ 2,464,489</u>	<u>\$ 2,329,764</u>	<u>\$ (134,725)</u>

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ESCANABA AREA PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2020

	Special Revenue Fund		Capital Project Fund
	Food Service	Student/School Activities	Public Improvement
Assets			
Cash and investments	\$ 10,579	\$ 261,942	\$ 311,264
Accounts receivable	1,956	-	-
Due from other governmental units	83,594	-	-
Inventory	44,991	-	-
Total assets	<u>\$ 141,120</u>	<u>\$ 261,942</u>	<u>\$ 311,264</u>
Liabilities			
Accounts payable	\$ 12,237	\$ -	\$ 37,372
Due to other funds	16,886	-	-
Accrued liabilities	33,043	-	-
Unearned revenue	19,113	-	25,270
Total liabilities	<u>81,279</u>	<u>-</u>	<u>62,642</u>
Fund balances			
Nonspendable for inventories	44,991	-	-
Restricted:			
Debt service	-	-	-
Food service	14,850	-	-
Committed:			
Student groups	-	261,942	-
Assigned:			
Capital projects	-	-	248,622
Total fund balances	<u>59,841</u>	<u>261,942</u>	<u>248,622</u>
Total liabilities and fund balances	<u>\$ 141,120</u>	<u>\$ 261,942</u>	<u>\$ 311,264</u>



Debt Service Funds				
2001 Debt Retirement	2010 Debt Retirement	2014 Refunding Bonds	2016 Refunding Bonds	Total
\$ 173,795	\$ 458,962	\$ -	\$ -	\$ 1,216,542
1,176	835	-	-	3,967
-	-	-	-	83,594
-	-	-	-	44,991
<u>\$ 174,971</u>	<u>\$ 459,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,349,094</u>
\$ -	\$ -	\$ -	\$ -	\$ 49,609
-	-	-	-	16,886
-	-	-	-	33,043
-	-	-	-	44,383
-	-	-	-	143,921
-	-	-	-	44,991
174,971	459,797	-	-	634,768
-	-	-	-	14,850
-	-	-	-	261,942
-	-	-	-	248,622
<u>174,971</u>	<u>459,797</u>	<u>-</u>	<u>-</u>	<u>1,205,173</u>
<u>\$ 174,971</u>	<u>\$ 459,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,349,094</u>

ESCANABA AREA PUBLIC SCHOOLS

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

Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue Fund		Capital Project Fund
	Food Service	Student/School Activities	Public Improvement
Revenues			
Local sources	\$ 156,759	\$ 383,400	\$ 42,800
State sources	52,052	-	-
Federal sources	1,206,752	-	-
Total revenues	1,415,563	383,400	42,800
Expenditures			
Current:			
Salaries	323,487	-	-
Fringe benefits	240,925	-	-
Supplies	844,752	-	220,565
Student activities	-	318,654	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	159,638
Total expenditures	1,409,164	318,654	380,203
Revenues over (under) expenditures	6,399	64,746	(337,403)
Other financing sources (uses)			
Transfers in	-	-	243,173
Transfers out	-	-	-
Proceeds from sale of capital assets	-	-	178,668
Total other financing sources (uses)	-	-	421,841
Net changes in fund balances	6,399	64,746	84,438
Fund balances, beginning of year, as restated	53,442	197,196	164,184
Fund balances, end of year	\$ 59,841	\$ 261,942	\$ 248,622

Debt Service Funds				
2001 Refunding Bonds	2010 Debt Retirement	2014 Refunding Bonds	2016 Refunding Bonds	Total
\$ 1,311,298	\$ 995,873	\$ -	\$ -	\$ 2,890,130
240,757	170,934	-	-	463,743
-	-	-	-	1,206,752
<u>1,552,055</u>	<u>1,166,807</u>	<u>-</u>	<u>-</u>	<u>4,560,625</u>
-	-	-	-	323,487
-	-	-	-	240,925
-	-	-	-	1,065,317
-	-	-	-	318,654
-	-	450,000	1,500,000	1,950,000
-	-	721,800	151,750	873,550
-	-	-	-	159,638
-	-	<u>1,171,800</u>	<u>1,651,750</u>	<u>4,931,571</u>
<u>1,552,055</u>	<u>1,166,807</u>	<u>(1,171,800)</u>	<u>(1,651,750)</u>	<u>(370,946)</u>
-	-	1,171,800	1,651,750	3,066,723
(1,615,593)	(1,207,957)	-	-	(2,823,550)
-	-	-	-	178,668
<u>(1,615,593)</u>	<u>(1,207,957)</u>	<u>1,171,800</u>	<u>1,651,750</u>	<u>421,841</u>
(63,538)	(41,150)	-	-	50,895
<u>238,509</u>	<u>500,947</u>	<u>-</u>	<u>-</u>	<u>1,154,278</u>
<u>\$ 174,971</u>	<u>\$ 459,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,205,173</u>

ESCANABA AREA PUBLIC SCHOOLS

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

Food Service Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 218,166	\$ 156,732	\$ 156,759	\$ 27
State sources	46,251	52,039	52,052	13
Federal sources	1,045,669	1,229,283	1,206,752	(22,531)
Total revenues	1,310,086	1,438,054	1,415,563	(22,491)
Expenditures				
Salaries	339,524	325,229	323,487	(1,742)
Fringe benefits	250,695	250,171	240,925	(9,246)
Supplies	719,867	853,571	844,752	(8,819)
Total expenditures	1,310,086	1,428,971	1,409,164	(19,807)
Net change in fund balance	-	9,083	6,399	(2,684)
Fund balance, beginning of year	53,442	53,442	53,442	-
Fund balance, end of year	\$ 53,442	\$ 62,525	\$ 59,841	\$ (2,684)

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Student/School Activity Special Revenue Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 402,594	\$ 390,000	\$ 383,400	\$ (6,600)
Expenditures				
Student activities	402,594	320,000	318,654	(1,346)
Net change in fund balance	-	70,000	64,746	(5,254)
Fund balance, beginning of year, as restated	197,196	197,196	197,196	-
Fund balance, end of year	<u>\$ 197,196</u>	<u>\$ 267,196</u>	<u>\$ 261,942</u>	<u>\$ (5,254)</u>

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds - Scholarships

June 30, 2020

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
Assets			
Cash and cash equivalents	\$ 130,768	\$ 477,060	\$ 607,828
Accounts receivable	-	705	705
Interest receivable	834	-	834
Investments:			
Corporate bonds	25,526	-	25,526
Common stocks	639,246	1,299,635	1,938,881
Mutual funds	908,384	2,341,790	3,250,174
Real estate exchange traded funds	102,095	223,098	325,193
Total investments	<u>1,675,251</u>	<u>3,864,523</u>	<u>5,539,774</u>
Total assets (equal to net position restricted for scholarships)	<u>\$ 1,806,853</u>	<u>\$ 4,342,288</u>	<u>\$ 6,149,141</u>

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds - Scholarships

For the Year Ended June 30, 2020

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
Additions			
Contributions	\$ -	\$ 176,595	\$ 176,595
Investment income:			
Interest and dividends	50,811	117,231	168,042
Net decrease in fair value of investments	(36,753)	(91,415)	(128,168)
Total investment income	14,058	25,816	39,874
Total additions	14,058	202,411	216,469
Deductions			
Scholarships and trophies	73,383	314,666	388,049
Trustee fees	10,906	25,438	36,344
Total deductions	84,289	340,104	424,393
Change in net position	(70,231)	(137,693)	(207,924)
Net position, beginning of year	1,877,084	4,479,981	6,357,065
Net position, end of year	\$ 1,806,853	\$ 4,342,288	\$ 6,149,141

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OTHER INFORMATION (UNAUDITED)

ESCANABA AREA PUBLIC SCHOOLS

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

For the Year Ended June 30, 2020

	Taxable Valuation	Per \$1,000 Valuation	Tax Levy
General Fund (on homestead taxable valuation only)			
City of Escanaba	\$ 163,047,115	6-18 mills	\$ 2,722,709
Wells Township (Delta County)	46,235,938	6-18 mills	803,898
Ford River Township	21,751,581	6-18 mills	390,923
Cornell Township	8,194,946	6-18 mills	147,479
Wells Township (Marquette County)	<u>2,334,293</u>	6-18 mills	<u>41,323</u>
Total General Fund	<u><u>\$ 241,563,873</u></u>	6-18 mills	<u><u>\$ 4,106,332</u></u>
2010 Debt Retirement Fund (on total taxable valuation)			
City of Escanaba	\$ 311,936,884	1.64 mills	\$ 511,576
Wells Township (Delta County)	162,554,877	1.64 mills	266,590
Ford River Township	73,879,699	1.64 mills	121,163
Cornell Township	24,100,089	1.64 mills	39,524
Wells Township (Marquette County)	<u>3,027,874</u>	1.64 mills	<u>4,966</u>
Total 2010 Debt Retirement Fund	<u><u>\$ 575,499,423</u></u>	1.64 mills	<u><u>\$ 943,819</u></u>
2001 Debt Retirement Fund (on total taxable valuation)			
City of Escanaba	\$ 311,936,884	2.31 mills	\$ 720,574
Wells Township (Delta County)	162,554,877	2.31 mills	375,502
Ford River Township	73,879,699	2.31 mills	170,662
Cornell Township	24,100,089	2.31 mills	55,671
Wells Township (Marquette County)	<u>3,027,874</u>	2.31 mills	<u>6,994</u>
Total 2001 Debt Retirement Fund	<u><u>\$ 575,499,423</u></u>	2.31 mills	<u><u>\$ 1,329,403</u></u>

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ESCANABA AREA PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Net Position (Unaudited)

Co-mingled Scholarships Fund
For the Year Ended June 30, 2020

	Net Position July 1, 2019	Additions				Total Additions
		Contributions	Interest and Dividends	Gain on Sale of Investments	Increase in Fair Value of Investments	
Investment accounts						
Abrahamson, Gary Sr. Athletic Award	\$ 120,321	\$ -	\$ 3,334	\$ 943	\$ (3,544)	\$ 733
Abrahamson Family	105,020	-	2,910	824	(3,095)	639
Adamini, Peter Memorial	11,314	-	314	89	(333)	70
Aronson, Arthur V. & Elin C.	129,423	-	3,587	1,015	(3,812)	790
Beauchamp, Grace Huston	16,043	-	445	126	(472)	99
Beck, Conrad D.	14,787	220	410	116	(435)	311
Bennets, Jeanee	13,748	-	381	108	(405)	84
Berhow, Rona Rae Memorial	1,270	-	35	10	(37)	8
Berndt, Sherry	47,573	-	1,318	373	(1,401)	290
Bero, Willard & Joyce	61,956	-	1,717	486	(1,825)	378
Bonifas, Catherine	126,208	-	3,497	990	(3,717)	770
Bosk, Robert & Olga	73,329	-	2,032	575	(2,160)	447
Brown, Ian & Laura Family	1,025	500	28	8	(30)	506
Calouette, John A. Memorial	12,189	-	338	96	(359)	75
Class of 1963	2,092	-	58	16	(62)	12
Chernick, John Memorial	2,792	-	77	22	(82)	17
Class of 1959	35,006	4,111	970	274	(1,031)	4,324
Cohodas, Sam M.	10,279	-	285	81	(303)	63
Coplan Family Music	44,087	-	1,222	346	(1,298)	270
Coplan, BA Memorial	68,375	-	1,895	536	(2,014)	417
Cvengros, Jerry Memorial	7,169	-	199	56	(211)	44
Cunningham Family	10,154	-	281	80	(299)	62
Dagenais, Elmer & Phoebe	14,718	769	408	115	(433)	859
Diedrich, Louis	23,905	-	662	187	(704)	145
Derkos, Danny Memorial	14,768	2,000	409	116	(435)	2,090
Derouin, Cook/Derouin's Collison	5,000	-	139	39	(148)	30
Derouin, Dean	4,253	-	118	33	(125)	26
Dufour, Susan C. & Thomas D	8,044	-	223	63	(237)	49
Dunstone, Robert Memorial	5,513	-	153	43	(162)	34
Edick, Edward E.	12,568	-	348	99	(370)	77
Erickson/Breitenbach Wildlife	1,270	-	35	10	(37)	8
Escanaba Educational Trust	15,700	-	435	123	(462)	96
Fernstrom, Esther	10,543	-	292	83	(310)	65
Ferrari, Joan Hesse	13,175	250	365	103	(388)	330
Fontaine, Sally Stack	10,713	-	297	84	(316)	65
Fleming, Lawrence and Nina	17,164	-	476	135	(505)	106
Freidhoff, Steve Memorial	1,848	-	51	14	(54)	11
Gasman, John T.	1,097	-	30	9	(32)	7
Gessner, Charles H. Family	92,326	-	2,559	724	(2,719)	564
Gordon, Dr. E. James	299,872	-	8,310	2,351	(8,831)	1,830
Grab, George	35,104	-	973	275	(1,034)	214
Green, Wendell & Mary Lorraine	-	24,102	-	-	-	24,102
Hansen, John Wesley Memorial	17,395	-	482	136	(512)	106
Haslow, Robert L. Memorial	6,614	-	183	52	(195)	40
Henslee, Forrest & Mary	37,556	-	1,041	294	(1,106)	229
Johnson, Bradley D.	71,667	-	1,986	562	(2,111)	437
Karkkainen, Melvin	3,412	1,000	95	27	(100)	1,022
Kirstin, Herbert & Irene	17,848	-	495	140	(526)	109
Klemmetsen/Rose Memorial	332,662	-	9,219	2,609	(9,797)	2,031
Koontz, John & Barbara Memorial	4,483	-	124	35	(132)	27
LaFave, Olive C.	37,815	-	1,048	297	(1,114)	231
Lemerand, Clarence & Della	415,727	-	11,521	3,260	(12,243)	2,538
Lindstrom, James	4,826	-	136	37	(142)	31
Louis, Frank B. & Mamie A.	157,370	-	4,361	1,234	(4,635)	960
McCotter, Delores	1,950	-	54	15	(57)	12
McDermott, Thomas Memorial	58,188	-	1,613	456	(1,714)	355

Deductions						
Scholarships and Trophies	Trustee Fees	Total Deductions	Change in Net Position	Net Position June 30, 2020	Accumulated Contributions to Fund	
\$ 5,425	\$ 723	\$ 6,148	\$ (5,415)	\$ 114,906	\$ 104,000	
3,550	631	4,181	(3,542)	101,478	120,000	
-	68	68	2	11,316	8,510	
1,967	778	2,745	(1,955)	127,468	95,325	
-	96	96	3	16,046	10,000	
600	89	689	(378)	14,409	9,570	
600	83	683	(599)	13,149	11,898	
-	8	8	-	1,270	6,000	
2,100	286	2,386	(2,096)	45,477	32,376	
5,450	372	5,822	(5,444)	56,512	40,000	
6,450	759	7,209	(6,439)	119,769	50,000	
1,550	441	1,991	(1,544)	71,785	54,500	
-	6	6	500	1,525	1,500	
-	73	73	2	12,191	10,000	
-	13	13	(1)	2,091	3,520	
-	17	17	-	2,792	2,200	
3,000	217	3,217	1,107	36,113	32,598	
450	62	512	(449)	9,830	5,186	
2,000	265	2,265	(1,995)	42,092	25,000	
3,037	411	3,448	(3,031)	65,344	56,856	
-	43	43	1	7,170	5,665	
450	61	511	(449)	9,705	6,100	
625	88	713	146	14,864	12,569	
2,000	144	2,144	(1,999)	21,906	18,600	
550	89	639	1,451	16,219	14,115	
-	30	30	-	5,000	5,000	
200	26	226	(200)	4,053	2,104	
350	48	398	(349)	7,695	5,170	
500	33	533	(499)	5,014	4,410	
575	76	651	(574)	11,994	5,507	
-	8	8	-	1,270	1,000	
500	94	594	(498)	15,202	11,603	
500	63	563	(498)	10,045	4,226	
1,125	79	1,204	(874)	12,301	9,195	
-	64	64	1	10,714	10,300	
750	103	853	(747)	16,417	10,000	
100	11	111	(100)	1,748	1,941	
-	7	7	-	1,097	1,115	
4,100	555	4,655	(4,091)	88,235	64,963	
10,050	1,802	11,852	(10,022)	289,850	218,131	
1,500	211	1,711	(1,497)	33,607	20,000	
-	-	-	24,102	24,102	24,102	
1,525	105	1,630	(1,524)	15,871	11,250	
300	40	340	(300)	6,314	5,250	
1,600	226	1,826	(1,597)	35,959	34,896	
3,200	431	3,631	(3,194)	68,473	49,607	
1,000	25	1,025	(3)	3,409	11,000	
-	107	107	2	17,850	10,000	
12,517	1,999	14,516	(12,485)	320,177	232,350	
200	27	227	(200)	4,283	1,455	
1,700	227	1,927	(1,696)	36,119	20,000	
16,600	2,499	19,099	(16,561)	399,166	300,741	
-	27	27	4	4,830	4,100	
5,800	946	6,746	(5,786)	151,584	89,945	
200	12	212	(200)	1,750	1,500	
1,325	350	1,675	(1,320)	56,868	47,420	

continued...

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Net Position (Unaudited)

Co-mingled Scholarships Fund
For the Year Ended June 30, 2020

	Net Position July 1, 2019	Additions				Total Additions
		Contributions	Interest and Dividends	Gain on Sale of Investments	Increase in Fair Value of Investments	
Investment accounts						
McKie, Donald	\$ 31,434	\$ -	\$ 871	\$ 246	\$ (926)	\$ 191
McInerney, Dr. Thomas & Dr. Edna Memorial	78,537	-	2,176	616	(2,313)	479
Micensky, Robert	5,241	-	145	41	(154)	32
Milkiewicz, Stephen M.	6,069	-	168	48	(179)	37
Milkiewicz, Kim Ann	13,384	-	371	105	(394)	82
Molin, Jack and Class of 1944	43,798	-	1,214	343	(1,290)	267
Mroczkowski, Dale/ Fritolay	9	1,000	-	-	-	1,000
Nordberg, Carl A.	18,055	-	500	142	(532)	110
O'Donnell, Anne C.	33,757	-	935	265	(994)	206
Olson, Joanne Taylor	14,519	-	402	114	(428)	88
Owen, Robert A. & Ruth	38,388	-	1,064	301	(1,131)	234
Owens, Georgia Gibbs/ Irwin & Marge Gibbs	270,251	-	7,489	2,119	(7,959)	1,649
Peterson, Ken	2,012	100	56	16	(59)	113
Pfotenhauer/Gessner	14,087	-	390	110	(415)	85
Puckelwartz, William H.	32,610	-	904	256	(960)	200
Reade, H.W.	27,776	-	770	218	(818)	170
Ruwitch, George	39,892	-	1,105	313	(1,175)	243
Salo, Christine	5,160	5,000	143	40	(152)	5,031
Saykly, Josephine	12,387	-	343	97	(365)	75
Schram, Dick Memorial	15,440	-	428	121	(455)	94
St. Louis, Maria, George & Stanley	408,027	-	11,307	3,200	(12,017)	2,490
St. Pierre, Mary	5,267	-	146	41	(155)	32
Stein, Daniel	53,922	-	1,494	423	(1,588)	329
Taylor, Francis & Nancy	139,080	-	3,854	1,091	(4,096)	849
Taylor, Al Family	143,548	-	3,978	1,126	(4,228)	876
Taylor, Naomi Memorial	65,302	-	1,810	512	(1,923)	399
Timmer, Gene	3,626	-	100	28	(107)	21
VanEffen, William J.	8,064	-	223	63	(237)	49
Wylie, Henry	4,315	-	120	34	(127)	27
Young, A.J.	27,111	-	751	212	(798)	165
	<u>4,230,322</u>	<u>39,052</u>	<u>117,231</u>	<u>33,171</u>	<u>(124,586)</u>	<u>64,868</u>
Cash accounts						
Wickman/Addison, Ruth	6,017	4,791	-	-	-	4,791
Felton, Oliver	1,183	5,371	-	-	-	5,371
Hirn, Robert & Elva	171,424	67,500	-	-	-	67,500
Kintziger, Louis J.	6,012	8,725	-	-	-	8,725
Maki, Arnie & Violet	15,547	9,459	-	-	-	9,459
Sackerson, Edward J.	4,812	-	-	-	-	-
Miscellaneous contributions	44,664	41,697	-	-	-	41,697
	<u>249,659</u>	<u>137,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,543</u>
Total	<u>\$ 4,479,981</u>	<u>\$ 176,595</u>	<u>\$ 117,231</u>	<u>\$ 33,171</u>	<u>\$ (124,586)</u>	<u>\$ 202,411</u>

Deductions					
Scholarships and Trophies	Trustee Fees	Total Deductions	Change in Net Position	Net Position June 30, 2020	Accumulated Contributions to Fund
\$ 2,100	\$ 189	\$ 2,289	\$ (2,098)	\$ 29,336	\$ 24,176
3,500	472	3,972	(3,493)	75,044	50,000
250	32	282	(250)	4,991	4,155
-	36	36	1	6,070	8,500
600	80	680	(598)	12,786	2,600
2,000	263	2,263	(1,996)	41,802	29,644
-	-	-	1,000	1,009	7,000
800	109	909	(799)	17,256	11,562
-	203	203	3	33,760	21,005
1,375	87	1,462	(1,374)	13,145	10,000
1,700	231	1,931	(1,697)	36,691	25,000
9,031	1,624	10,655	(9,006)	261,245	153,755
100	12	112	1	2,013	1,600
700	85	785	(700)	13,387	10,000
1,400	196	1,596	(1,396)	31,214	12,962
2,350	167	2,517	(2,347)	25,429	10,150
1,800	240	2,040	(1,797)	38,095	28,096
500	31	531	4,500	9,660	10,160
-	74	74	1	12,388	10,000
1,350	93	1,443	(1,349)	14,091	10,090
13,100	2,452	15,552	(13,062)	394,965	234,975
250	32	282	(250)	5,017	4,164
3,513	324	3,837	(3,508)	50,414	35,000
6,400	836	7,236	(6,387)	132,693	100,000
6,400	863	7,263	(6,387)	137,161	100,230
-	393	393	6	65,308	50,255
150	22	172	(151)	3,475	2,814
-	48	48	1	8,065	5,000
200	26	226	(199)	4,116	2,708
1,200	164	1,364	(1,199)	25,912	9,900
<u>166,790</u>	<u>25,438</u>	<u>192,228</u>	<u>(127,360)</u>	<u>4,102,962</u>	<u>2,939,870</u>
4,425	-	4,425	366	6,383	41,031
5,383	-	5,383	(12)	1,171	38,338
66,125	-	66,125	1,375	172,799	465,844
1,800	-	1,800	6,925	12,937	34,583
12,819	-	12,819	(3,360)	12,187	73,157
5,500	-	5,500	(5,500)	(688)	20,000
51,824	-	51,824	(10,127)	34,537	261,448
<u>147,876</u>	<u>-</u>	<u>147,876</u>	<u>(10,333)</u>	<u>239,326</u>	<u>934,401</u>
<u>\$ 314,666</u>	<u>\$ 25,438</u>	<u>\$ 340,104</u>	<u>\$ (137,693)</u>	<u>\$ 4,342,288</u>	<u>\$ 3,874,271</u>

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SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

October 27, 2020

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Escanaba Area Public Schools* (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 27, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



ESCANABA AREA PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
National school lunch - breakfast	10.553	MDE	191970	\$ 355,890
National school lunch - breakfast	10.553	MDE	201970	216,436
National school lunch	10.555	MDE	191960	608,337
National school lunch	10.555	MDE	201960	372,766
COVID-19 - Unanticipated Closure Payments	10.555	MDE	200902	378,934
Entitlement commodities (non-cash)	10.555	MDE	-n/a-	97,839
Summer food service program - operating	10.559	MDE	190900	21,770
Summer food service program - administrative	10.559	MDE	191900	2,280
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I, Part A - Improving Basic Programs	84.010	MDE	191530-1819	639,593
Title I, Part A - Improving Basic Programs	84.010	MDE	201530-1920	640,883
Title I, Part A - Improving Basic Programs	84.010	GLAS	201530-1920	6,908
Special Education Cluster:				
Special Education - Flowthrough	84.027	DSISD	200450-1920	25,000
Indian Education	84.060A	Direct	-n/a-	40,715
Title V, Part B Rural and Low Income	84.358	MDE	190660-1819	60,691
Title V, Part B Rural and Low Income	84.358	MDE	200660-1920	60,395
Title II, Part A - Improving Teacher Quality	84.367	MDE	190520-1819	178,002
Title II, Part A - Improving Teacher Quality	84.367	MDE	200520-1920	149,449
Title IV, Part A - SSAE	84.424	MDE	190750-1819	45,679
Title IV, Part A - SSAE	84.424	MDE	200750-1920	43,076
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Medicaid Cluster:				
Medicaid Outreach	93.778	DSISD	-n/a-	8,677
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2019	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2020	Accrued (Unearned) Revenue June 30, 2020
\$ 19,335	\$ 62,692	\$ 312,533	\$ 43,357	\$ -
-	216,436	-	216,436	-
<u>19,335</u>	<u>279,128</u>	<u>312,533</u>	<u>259,793</u>	<u>-</u>
29,285	105,748	531,874	76,463	-
-	372,766	-	372,766	-
-	304,279	-	378,934	74,655
-	97,839	-	97,839	-
<u>29,285</u>	<u>880,632</u>	<u>531,874</u>	<u>926,002</u>	<u>74,655</u>
2,800	21,770	2,800	18,970	-
293	2,280	293	1,987	-
<u>3,093</u>	<u>24,050</u>	<u>3,093</u>	<u>20,957</u>	<u>-</u>
<u>51,713</u>	<u>1,183,810</u>	<u>847,500</u>	<u>1,206,752</u>	<u>74,655</u>
48,024	64,992	575,989	16,968	-
-	561,088	-	618,550	57,462
-	6,908	-	6,908	-
<u>48,024</u>	<u>632,988</u>	<u>575,989</u>	<u>642,426</u>	<u>57,462</u>
-	-	-	25,000	25,000
-	40,715	-	40,715	-
308	19,821	25,657	19,513	-
-	34,353	-	36,351	1,998
<u>308</u>	<u>54,174</u>	<u>25,657</u>	<u>55,864</u>	<u>1,998</u>
5,242	29,058	113,969	23,816	-
-	50,199	-	50,199	-
<u>5,242</u>	<u>79,257</u>	<u>113,969</u>	<u>74,015</u>	<u>-</u>
3,666	3,666	45,679	-	-
-	43,076	-	43,076	-
<u>3,666</u>	<u>46,742</u>	<u>45,679</u>	<u>43,076</u>	<u>-</u>
<u>57,240</u>	<u>853,876</u>	<u>761,294</u>	<u>881,096</u>	<u>84,460</u>
-	8,677	-	8,677	-
<u>\$ 108,953</u>	<u>\$ 2,046,363</u>	<u>\$ 1,608,794</u>	<u>\$ 2,096,525</u>	<u>\$ 159,115</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Escanaba Area Public Schools (the "District") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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

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

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

2. 10% DE MINIMIS COST RATE

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

3. PASS-THROUGH AGENCIES

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

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



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 27, 2020

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Escanaba Area Public Schools* (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 27, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 27, 2020

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of *Escanaba Area Public Schools* (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2020. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Independent Auditors' Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rehmann Loborn LLC

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

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

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

Identification of a major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---

10.553, 10.555 & 10.559	Child Nutrition Cluster
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2020-001 - Cost Principles - Food Service Non-payroll Disbursements

Finding Type. Significant Deficiency in Internal Controls over Compliance and Immaterial Noncompliance

Federal program(s)

U.S. Department of Agriculture

➤ Child Nutrition Cluster (CFDA# 10.553, 10.555 and 10.559); Passed through MDE; All project numbers

Criteria. The District's Federal Awards Manual states that, "Grant expenditures will be approved by department heads/program managers initially through the purchase order process, and again when the bill or invoice is received. This will be evidenced by signature or initials and date on the invoice. Accounts payable disbursements will not be processed for payment by the Business Office until necessary approval has been obtained."

Condition. During our testing of disbursements from the food service fund we noted that invoices tested did not bear a signature or date to document the approval of the food services director.

Cause. This condition appears to be the result of management not consistently enforcing the written disbursement policy.

Effect. As a result of this condition, the District omitted a key control established by their written grant policies.

Questioned Costs. No costs have been questioned as a result of this finding, as the costs tested appeared to be properly supported.

Recommendation. We recommend the District consistently apply its written policies to all cost centers and departments.

View of Responsible Official. Management will make every effort to ensure the District complies with policy to provide the required purchase order documentation and evidence of approvals.

Responsible Officials. Finance Director and Food Service Director

Estimated Completion Date. June 30, 2021



ESCANABA AREA PUBLIC SCHOOLS

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2020

Nothing reported.

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ESCANABA AREA PUBLIC SCHOOLS

District Administration Office
1500 Ludington Street
Escanaba, MI 49829

Superintendent Office
Phone (906) 786-5411
FAX (906) 786-4469

Business Office
Phone (906) 786-5412
FAX (906) 786-0106

CORRECTIVE ACTION PLAN

Certain matters were brought to our attention as a result of the audit process. These are described more fully in the Schedule of Findings and Questioned Costs. We evaluated the matters as noted below, and have described our planned actions as a result.

2020-001 - Cost Principles - Food Service Non-payroll Disbursements

Management Assessment. We concur with the audit assessment regarding this matter.

Planned Corrective Action. The District will require all non-payroll disbursements for the purchase of goods to have an approved purchase order. In addition, all invoices will require evidence of approval by signature or initials and date by the Food Service Director, Nancy LaFave.

Responsible Party. Kevin Pascoe, Director of Finance and Nancy LaFave, Food Service Director

Date of Planned Corrective Action. June 30, 2021

Equal Opportunity Employer

The Escanaba Area Public School District does not discriminate on the basis of race, color, national origin, gender, age or disability.

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 27, 2020

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the *Escanaba Area Public Schools* (the "District") as of and for the year ended June 30, 2020, and have issued our report thereon dated October 27, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 5, 2020, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated October 27, 2020. In addition, we noted certain other matters which are included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements.

As described in Note 17 to the financial statements, the District changed accounting policies related to the reporting of fiduciary activities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*. The cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balance.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the single employer other postemployment plan are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

In addition, the financial statements include net pension and other postemployment benefit liabilities and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards but are not within the control of management.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the Escanaba Area Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rehmann Robson LLC

ESCANABA AREA PUBLIC SCHOOLS

■ Attachment A - Comments and Recommendations

For the June 30, 2020 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the District's internal control over financial reporting is described in our report, dated October 27, 2020, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated October 27, 2020, on the financial statements of the Escanaba Area Public Schools.

Negative Food Service Account Balances

During our audit procedures, we noted that the food service fund has over \$10,700 of individual student account balances that are negative (i.e. the student owes the District). Michigan Department of Education guidance requires that the District make the nutrition program whole each year for any bad debts (negative balances) from funds outside of the food service fund (general fund or other outside donors). It is the District's policy to not provide any student with lunch as a result of insufficient funds in a student's lunch account. We recommend that the District make a concerted effort to collect on these negative balance in compliance with the written policy.

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ESCANABA AREA PUBLIC SCHOOLS

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2020 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the District. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 87 ■ Leases

Effective 06/15/2022 (your FY 2022)

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period

Effective 12/15/2021 (your FY 2022)

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the District.

GASB 91 ■ Conduit Debt Obligations

Effective 12/15/2022 (your FY 2023)

This standard defines "conduit debt obligations", where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. The standard requires issuers to disclose conduit debt obligations, but not to record a liability unless it is more likely than not that a commitment made by the issuer will require it to support one or more debt payments for a conduit debt obligation. We do not expect this standard to have any significant effect on the District.

GASB 92 ■ Omnibus 2020

Effective 06/15/2022 (your FY 2022)

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the District.

GASB 93 ■ Replacement of Interbank Offered Rates

Effective 06/15/2022 (your FY 2022)

This standard provides guidance to governments with agreements with variable payments tied to LIBOR, and how to transition them to a new reference rate. We do not expect this standard to have any significant effect on the District.

ESCANABA AREA PUBLIC SCHOOLS

■ Attachment B - Upcoming Changes in Accounting Standards / Regulations For the June 30, 2020 Audit

GASB 94 ■ Public-Private and Public-Public Partnerships and Availability Payment Arrangements
Effective 06/15/2023 (your FY 2023)

This standard addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. We do not expect this standard to have any significant effect on the District.

GASB 96 ■ Subscription-Based Information Technology Arrangements
Effective 06/15/2023 (your FY 2023)

This standard expands on the new guidance for leases and applies it to computer software contracts (subscriptions) with similar characteristics. Governments that subscribe to a vendor's IT software will now report offsetting intangible subscription assets and subscription liabilities equal to the present value of future subscription payments.

GASB 97 ■ Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans
Effective 06/15/2022 (your FY 2022)

This standard amends the requirements for when to report defined contribution pension plans (such as 401k and 403b plans) as fiduciary component units, and how to account for Section 457 deferred compensation plans.



ESCANABA AREA PUBLIC SCHOOLS

■ Attachment C - Management Representations For the June 30, 2020 Audit

The following pages contain the written representations that we requested from management.

ESCANABA AREA PUBLIC SCHOOLS

District Administration Office
1500 Ludington Street
Escanaba, MI 49829

Superintendent Office
Phone (906) 786-5411
FAX (906) 786-4469

Business Office
Phone (906) 786-5412
FAX (906) 786-0106

October 27, 2020

Rehmann Robson
P.O. Box 250
Cheboygan, Michigan 49721

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Escanaba Area Public Schools* (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position and results of operations, and the budgetary comparison for the general fund of the District in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 27, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 5, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. With respect to any assistance you provided in drafting the financial statements and related notes, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.
4. We acknowledge our responsibility for 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.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

Equal Opportunity Employer

The Escanaba Area Public School District does not discriminate on the basis of race, color, national origin, gender, age or disability.

6. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
22. We are responsible for the fair presentation of the District's proportionate share of the net pension and other postemployment benefit liabilities of the Michigan Public School Employees Retirement System (MPERS) and related amounts. We provided MPERS with complete and accurate information regarding the District's participation in the plan, and have reviewed the information provided by MPERS for inclusion in the District's financial statements.
23. In response to the novel coronavirus outbreak (COVID-19), the Governor issued various temporary Executive Orders that, among other stipulations, effectively prohibit in-person work activities for most businesses and industries including non-essential government services, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and

affecting the District's normal activities. The extent of the ultimate impact of the pandemic on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the District as it determines the appropriate methods to deliver education to students in a safe environment. While management reasonably expects the COVID-19 outbreak to negatively impact the District's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Information Provided

24. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
25. All transactions have been recorded in the accounting records and are reflected in the financial statements.
26. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
27. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
28. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
29. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
30. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
31. We have a process to track the status of audit findings and recommendations.
32. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
33. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
34. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
35. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
36. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.

37. The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
38. We have disclosed to you all guarantees, whether written or oral, under which the District is contingently liable.
39. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
40. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
41. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
42. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
43. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

44. With respect to the supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

45. With respect to the required supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.

- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Uniform Guidance (2 CFR 200)

46. With respect to federal awards, we represent the following to you:

- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance.
- b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
- c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
- d. The methods of measurement or presentation have not changed from those used in the prior period.
- e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
- g. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
- h. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
- i. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- j. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
- k. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- l. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- m. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.

- n. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- o. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- p. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance.
- q. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- u. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- v. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- w. The reporting package does not contain personally identifiable information.
- x. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- y. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- z. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.



Coby Fletcher, Superintendent



Kevin Pascoe, Director of Business Services