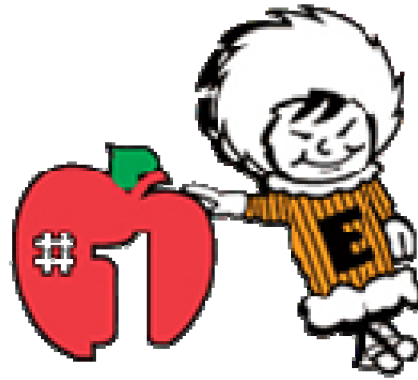


Escanaba Area  
Public Schools



Year Ended  
June 30, 2022

Financial  
Statements  
and  
Single Audit Act  
Compliance

**Rehmann**

# ESCANABA AREA PUBLIC SCHOOLS

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## INDEPENDENT AUDITORS' REPORT

October 4, 2022

Board of Education  
Escanaba Area Public Schools  
Escanaba, Michigan

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Escanaba Area Public Schools** (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position thereof, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Independent Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***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 benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

### ***Other Information***

Management is responsible for the other information included in the financial report. The other information comprises of the schedule of taxable valuations, tax rates and tax levies and the schedule of changes in fiduciary net Position - co-mingled scholarships fund but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2022, 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 solely 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 effectiveness of the District's 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 cursive script that reads "Lehmann Johnson LLC".

## **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, 2022. 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 the public improvement 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 a fiduciary 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.

# ESCANABA AREA PUBLIC SCHOOLS

## Management's Discussion and Analysis

### Major Features of District-Wide and Fund Financial Statements

	District-wide Statements	Governmental Funds	Fiduciary Funds
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.

### 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, 2022, the District reported a deficit net position of \$21,394,227. The table below provides a summary of the District's net position as of June 30:

	Net Position		
	Governmental Activities		Percent Change
	2022	2021	
<b>Assets</b>			
Current and other assets	\$ 11,436,202	\$ 10,984,262	4.1%
Capital assets, net	31,092,566	30,960,600	0.4%
<b>Total assets</b>	<b>42,528,768</b>	<b>41,944,862</b>	<b>1.4%</b>
<b>Deferred outflows of resources</b>	<b>9,255,290</b>	<b>13,204,939</b>	<b>-29.9%</b>
<b>Liabilities</b>			
Current and other liabilities	4,642,107	6,152,919	-24.6%
Long-term liabilities	16,943,707	18,901,218	-10.4%
Net pension and OPEB liabilities	31,937,747	51,561,621	-38.1%
<b>Total liabilities</b>	<b>53,523,561</b>	<b>76,615,758</b>	<b>-30.1%</b>
<b>Deferred inflows of resources</b>	<b>19,654,724</b>	<b>7,888,315</b>	<b>149.2%</b>
<b>Net position</b>			
Net investment in capital assets	16,065,185	14,057,720	14.3%
Restricted for:			
Debt service	399,788	405,291	-1.4%
Food service	652,275	318,196	105.0%
Unrestricted (deficit)	(38,511,475)	(44,135,479)	-12.7%
<b>Total net position (deficit)</b>	<b>\$ (21,394,227)</b>	<b>\$ (29,354,272)</b>	<b>27.1%</b>

# ESCANABA AREA PUBLIC SCHOOLS

## Management's Discussion and Analysis

Net investment in capital assets is the original cost of the District's capital assets, less accumulated depreciation, less the long-term debt outstanding used to finance the acquisition of those assets. The original cost of capital assets is approximately \$52,221,000 and \$51,231,000 for June 30, 2022 and 2021, 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 \$21,128,000 and \$20,270,000 for the years ended June 30, 2022 and 2021, respectively. Total outstanding debt related to capital assets is approximately \$14,809,000 and \$16,657,000 at 2022 and 2021, 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 food service and debt service are by their nature restricted for use by laws or regulations of the State of Michigan. These balances totaled approximately \$652,000 and \$400,000, respectively for 2022, and approximately \$318,000 and \$405,000, respectively, for 2021.

The remaining amount of net position, a deficit of approximately \$38,511,000 and \$44,135,000 for 2022 and 2021, 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
	2022	2021	
<b>Program revenues</b>			
Charges for services - local	\$ 533,040	\$ 233,997	127.8%
Operating grants - federal, state, and local	11,360,458	8,309,689	36.7%
<b>Total program revenues</b>	<b>11,893,498</b>	<b>8,543,686</b>	<b>39.2%</b>
<b>General revenues</b>			
Property taxes - operations	4,023,293	4,039,828	-0.4%
Property taxes - debt retirement	2,016,770	2,307,401	-12.6%
State of Michigan aid - unrestricted	14,648,418	14,673,859	-0.2%
Other	206,143	168,359	22.4%
<b>Total general revenues</b>	<b>20,894,624</b>	<b>21,189,447</b>	<b>-1.4%</b>
<b>Total revenues</b>	<b>32,788,122</b>	<b>29,733,133</b>	<b>10.3%</b>

continued...

## ESCANABA AREA PUBLIC SCHOOLS

### Management's Discussion and Analysis

	Change in Net Position		
	Governmental Activities		Percent Change
	2022	2021	
<b>Expenses</b>			
Instruction	\$ 14,099,734	\$ 15,595,451	-9.6%
Supporting services	7,385,467	8,723,914	-15.3%
Community services	78,921	107,536	-26.6%
Food services	1,140,033	1,104,008	3.3%
Student activities	342,989	141,375	142.6%
Public improvement	12,763	150,215	-91.5%
Interest on long-term debt	652,918	526,789	23.9%
Unallocated depreciation	1,115,252	1,066,399	4.6%
<b>Total expenses</b>	<b>24,828,077</b>	<b>27,415,687</b>	<b>-9.4%</b>
<b>Change in net position</b>	<b>7,960,045</b>	<b>2,317,446</b>	<b>243.5%</b>
Net position (deficit):			
Beginning of year	(29,354,272)	(31,671,718)	7.3%
<b>End of year</b>	<b>\$ (21,394,227)</b>	<b>\$ (29,354,272)</b>	<b>27.1%</b>

concluded

Operating grants - federal, state, and local revenues accounted for 35% or approximately \$11,360,000 of the revenue available. The main reason for the increase over the prior year was due to an increased utilization of various grants to prevent, prepare for, and respond to the COVID-19 epidemic which were originally awarded during the 2021-2022 fiscal year. These federal grant awards are commonly known as ESSER and GEER. In addition, the District experienced an unexpected increase in the School Nutrition Program.

Unrestricted state aid revenue accounted for 45% or approximately \$14,648,000 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 remained consistent with prior year.

Property tax revenues accounted for 18% or approximately \$6,040,000 of the total revenue. Of the total property tax revenues reported, approximately \$4,023,000 was allocated to operations and approximately \$2,017,000 was allocated to debt retirement. Property tax revenue decreased by approximately \$307,000 from the prior year level. This decrease was the result of a reduction in the debt service millage rate from 3.95 mills to 3.46 mills.

The expense portion of the table shows the financial support of each functional area required during the year. Expenses decreased from the prior fiscal year by approximately \$2,588,000. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$14,100,000 or 57% of total expenses. Support services costs are approximately \$7,385,000 or 30% 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 decrease in overall expenses was due to changes in the net pension and OPEB liabilities and related deferred amounts.

# ESCANABA AREA PUBLIC SCHOOLS

## Management's Discussion and Analysis

### Major Governmental Fund Budgeting and Operating Highlights

#### The District's Funds

The overall fund balance of the governmental funds increased by approximately \$1,948,000 from the prior year. The general fund balance increased by approximately \$615,000, the public improvement fund increased by approximately \$1,000,000, and the nonmajor governmental funds increased approximately \$333,000. The general fund increase related mainly to the utilization of ESSER funds in place of unrestricted state aid funds in the amount of approximately \$2.2 million. Of which, approximately \$1.6 million was transferred to the public improvement fund, where \$1.0 million remained unspent as of June 30, 2022 for the following year's capital projects.

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 - This category's budget was increased by approximately \$809,000, or 4% over the course of the school year. The main reason for this increase is a result of a \$589 increase in the per pupil foundation allowance to \$8,700 versus a \$164 increase to \$8,275 which had been initially budgeted for 2021-2022. This is due to the State passing their 2021-22 budget subsequent to the District's original adopted budget for 2021-22 resulting in the unexpected increase.

Revenue from federal sources - This category's budget was increased by approximately \$3,255,000, or 209% over the course of the school year. The main reason for this increase was due to ESSER II and ESSER III funding being approved for use after the original budget had been adopted. The District amended the budget during the year to utilize approximately \$1.7 million in ESSER II and approximately \$1.8 million in ESSER III funding as district plans became known on how the funds would be used.

Instructional Staff expenditures - This budget for these costs was increased by approximately \$148,000, or 17%, over the course of the school year. The main reason for the increase in the budget was due to the results in negotiations effecting wages and benefits associated with the teachers union.

Transfers out - This budget for interfund transfers out was increased by approximately \$1,646,000 over the course of the school year. The main reasons for this increase was a series of transfers to the Public Improvement Fund for projects identified and approved throughout the school year. The most significant projects consisted of the Upper Elementary Site Improvement & Demolition Project, High School West Parking Lot, and the Tennis Courts & Pavilion Project.

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

Revenue from federal source - This category came in approximately \$187,000 under the final amended budget. The main reason for this variance was a conservative approach to budgeting federal funding awarded but were not utilized throughout the fiscal year.

# ESCANABA AREA PUBLIC SCHOOLS

## Management's Discussion and Analysis

Basic instruction expenditures - The actual costs for this category came in under the final amended budget by approximately \$102,000. The main reason for this variance was due to supply chain issues resulted in costs not being incurred during the fiscal year.

Added needs expenditures - The actual costs for this category came in under the final amended budget by approximately \$153,000. The main reason for this variance was the budgeting of awarded federal funds that were unspent by June 30, 2022, and will be carried into next fiscal year.

### General Fund Operations

Financial Highlights - General Fund					
Fiscal Year	Revenues and Transfers	Expenditures and Transfers	Fund Balance	Enrollment	Increase/ (Decrease) in Student Enrollment
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)
2020-2021	25,502,511	24,464,023	3,368,252	2,294	(19)
2021-2022	28,333,071	27,718,089	3,983,234	2,147	(147)

In general fund operations, the total revenue was approximately \$28,292,000. This is above the original budgeted revenues of approximately \$24,290,000 and below the final amended budgeted revenues of approximately \$28,488,000. The actual expenditures of the general fund operations were approximately \$26,072,000. This is below the final budget of approximately \$26,857,000.

The main reasons for total revenues exceeding originally budgeted revenue is state aid funding per pupil exceeding initial expectations, and ESSER III funding being approved for use during the fiscal year. Actual expenditures were greater than originally budgeted mainly due to the utilization of ESSER III funding approved for use, and were below the final budgeted expenditures as a result of supply chain issues and a conservative budgeting approach.

### 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	\$ 26,071,739	84.6%
Public improvement	752,259	2.4%
Nonmajor governmental funds	4,019,595	13.0%
<b>Total</b>	<b>\$ 30,843,593</b>	<b>100%</b>

# ESCANABA AREA PUBLIC SCHOOLS

## Management's Discussion and Analysis

Governmental fund revenues totaled approximately \$32,788,000. Below is a summary of the governmental fund revenues by source and their percentages of total governmental funds:

	Revenues	Percentage
Local sources	\$ 6,957,225	21.2%
State sources	19,338,442	59.0%
Federal sources	6,122,686	18.7%
Other	369,769	1.1%
<b>Total</b>	<b>\$ 32,788,122</b>	<b>100%</b>

### 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 2,147 and 2,294 for fiscal 2022 and 2021, respectively. The District experienced an overall decrease in state funding of approximately \$25,000, mainly due to the decrease in state aid membership counts.

### 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 2022 non-homestead and personal property tax levies totaled approximately \$4,023,000.

The District levied 3.46 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 2022 was approximately \$2,017,000.

### 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 2022, the District expended approximately \$530,000, \$138,000 and \$1,029,000 for the Title I, Title II and At Risk programs, respectively. In addition the District expended approximately \$1,472,000 of funding received from the U.S. Department of Agriculture to support the District's food service program.

### Enrollment

The District's 2021-2022 blended enrollment totaled 2,147, which is a decrease of 147 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.

# ESCANABA AREA PUBLIC SCHOOLS

## Management's Discussion and Analysis

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, 2022, the District had approximately \$52,221,000 invested in land and building, machinery and equipment, vehicles and buses. Approximately \$21,128,000 has been depreciated. Net book value totals approximately \$31,093,000. The years of construction of the District buildings and improvements ranges from 1931 to 2022. 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.

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, 2022, the District expended approximately \$1,255,000 for capital asset additions including approximately \$755,000 for buildings and improvements, \$436,000 for machinery and equipment, and \$64,000 for vehicles and buses.

**Debt Administration.** As of June 30, 2022, the District had approximately \$15,361,000 in bonds and bond premium outstanding from capital projects and approximately \$149,000 in installment purchase agreements outstanding. In addition, the District has approximately \$1,434,000 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.

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

Our elected officials and administration consider many factors when setting the District's 2023 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 2021-2022, the blended count decreased to 2,147 students. Enrollment is also expected to decline into the 2022-2023 school year as the Upper Peninsula of Michigan's employment opportunities continue to be limited. The 2022-2023 fiscal year budget will reflect new initiatives and new opportunities for students while continually monitoring costs in these inflationary 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 2023 budget. The Board of Education adopted a balanced budget for the fiscal year 2022-2023. The Board and Administration continue to develop a strategy to prioritize spending while providing a quality education to Escanaba area students and maintain the long-term fiscal health of the District.

### Requests For Information

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

## **BASIC FINANCIAL STATEMENTS**

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## **DISTRICT-WIDE FINANCIAL STATEMENTS**

# ESCANABA AREA PUBLIC SCHOOLS

## Statement of Net Position

June 30, 2022

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	\$ 6,677,127
Receivables	4,719,583
Inventory	39,492
Capital assets not being depreciated	720,597
Capital assets being depreciated, net	<u>30,371,969</u>
<b>Total assets</b>	<u>42,528,768</u>
<b>Deferred outflows of resources</b>	
Deferred charge on bond refunding	482,303
Deferred pension amounts	6,238,732
Deferred other postemployment benefit amounts	<u>2,534,255</u>
<b>Total deferred outflows of resources</b>	<u>9,255,290</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	2,539,324
Unearned revenue	150,470
State aid anticipation notes payable	1,952,313
Long-term debt:	
Due within one year	2,100,378
Due in more than one year	14,843,329
Net pension liability (due in more than one year)	29,827,726
Net other postemployment benefit liability (due in more than one year)	<u>2,110,021</u>
<b>Total liabilities</b>	<u>53,523,561</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	11,752,416
Deferred other postemployment benefit amounts	<u>7,902,308</u>
<b>Total deferred inflows of resources</b>	<u>19,654,724</u>
<b>Net position</b>	
Net investment in capital assets	16,065,185
Restricted for:	
Debt service	399,788
Food service	652,275
Unrestricted (deficit)	<u>(38,511,475)</u>
<b>Total net position (deficit)</b>	<u>\$ (21,394,227)</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, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Instruction	\$ 14,099,734	\$ -	\$ 9,664,578	\$ (4,435,156)
Supporting services	7,385,467	75,201	187,881	(7,122,385)
Community services	78,921	-	-	(78,921)
Food services	1,140,033	95,527	1,507,999	463,493
Student activities	342,989	362,312	-	19,323
Public improvement	12,763	-	-	(12,763)
Interest on long-term debt	652,918	-	-	(652,918)
Unallocated depreciation	1,115,252	-	-	(1,115,252)
<b>Total governmental activities</b>	<u>\$ 24,828,077</u>	<u>\$ 533,040</u>	<u>\$ 11,360,458</u>	<u>(12,934,579)</u>
<b>General revenues</b>				
Property taxes - operations				4,023,293
Property taxes - debt service				2,016,770
State of Michigan aid - unrestricted				14,648,418
Other revenues				<u>206,143</u>
<b>Total general revenues</b>				<u>20,894,624</u>
<b>Change in net position</b>				7,960,045
Net position, beginning of year				<u>(29,354,272)</u>
<b>Net position, end of year</b>				<u>\$ (21,394,227)</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, 2022

	General Fund	Public Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 3,656,207	\$ 1,553,291	\$ 1,467,629	\$ 6,677,127
Accounts receivable	120,637	-	3,197	123,834
Due from other funds	-	-	382	382
Due from other governments	4,581,396	-	14,353	4,595,749
Inventory	-	-	39,492	39,492
<b>Total assets</b>	<u>\$ 8,358,240</u>	<u>\$ 1,553,291</u>	<u>\$ 1,525,053</u>	<u>\$ 11,436,584</u>
<b>Liabilities</b>				
Accounts payable	\$ 102,423	\$ 40,400	\$ 5,121	\$ 147,944
Salaries payable	925,974	-	-	925,974
Accrued liabilities	1,348,748	-	18,874	1,367,622
Due to other funds	382	-	-	382
Unearned revenues	45,166	50,000	55,304	150,470
State aid anticipation notes payable	1,952,313	-	-	1,952,313
<b>Total liabilities</b>	<u>4,375,006</u>	<u>90,400</u>	<u>79,299</u>	<u>4,544,705</u>
<b>Fund balances</b>				
Nonspendable for inventories	-	-	39,492	39,492
Restricted:				
Debt service	-	-	497,572	497,572
Food service	-	-	612,783	612,783
Committed:				
Student groups	-	-	295,907	295,907
Assigned:				
Capital projects	-	1,462,891	-	1,462,891
Unassigned	3,983,234	-	-	3,983,234
<b>Total fund balances</b>	<u>3,983,234</u>	<u>1,462,891</u>	<u>1,445,754</u>	<u>6,891,879</u>
<b>Total liabilities and fund balances</b>	<u>\$ 8,358,240</u>	<u>\$ 1,553,291</u>	<u>\$ 1,525,053</u>	<u>\$ 11,436,584</u>

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, 2022

<b>Fund balances - total governmental funds</b>	\$ 6,891,879
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	30,371,969
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	(15,509,684)
Unamortized deferred charge on bond refunding	482,303
Accrued interest on bonds payable	(97,784)
Compensated absences and early retirement incentives payable	(1,434,023)
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	(29,827,726)
Deferred outflows of resources related to the net pension liability	6,238,732
Deferred inflows of resources related to the net pension liability	(11,752,416)
Net other postemployment benefit liability	(2,110,021)
Deferred outflows related to the net other postemployment benefit liability	2,534,255
Deferred inflows related to the net other postemployment benefit liability	(7,902,308)
<b>Net position of governmental activities</b>	<u>\$ (21,394,227)</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, 2022

	General Fund	Public Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 4,378,518	\$ 102,625	\$ 2,476,082	\$ 6,957,225
State sources	18,914,870	-	423,572	19,338,442
Federal sources	4,628,629	-	1,494,057	6,122,686
Other sources	369,769	-	-	369,769
<b>Total revenues</b>	<b>28,291,786</b>	<b>102,625</b>	<b>4,393,711</b>	<b>32,788,122</b>
<b>Expenditures</b>				
Current:				
Instructional services:				
Basic instruction	13,676,211	-	-	13,676,211
Added needs	3,196,088	-	-	3,196,088
Supporting services:				
Pupil services	2,082,038	-	-	2,082,038
Instructional staff	912,270	-	-	912,270
General administration	425,212	-	-	425,212
School administration	1,308,665	-	-	1,308,665
Business services	492,435	-	-	492,435
Operations and maintenance	1,652,496	-	-	1,652,496
Transportation	1,353,932	-	-	1,353,932
Central services	61,665	-	-	61,665
Athletics	517,494	-	-	517,494
Community services	91,965	-	-	91,965
Food services	-	-	1,228,229	1,228,229
Student activities	-	-	342,989	342,989
Public improvement	-	12,763	-	12,763
Debt service:				
Principal	73,177	-	1,775,000	1,848,177
Interest and fiscal charges	5,209	-	673,377	678,586
Capital outlay	222,882	739,496	-	962,378
<b>Total expenditures</b>	<b>26,071,739</b>	<b>752,259</b>	<b>4,019,595</b>	<b>30,843,593</b>
Revenues over (under) expenditures	2,220,047	(649,634)	374,116	1,944,529
<b>Other financing sources (uses)</b>				
Transfers in	41,285	1,646,350	2,448,300	4,135,935
Transfers out	(1,646,350)	-	(2,489,585)	(4,135,935)
Proceeds from sale of capital assets	-	3,155	-	3,155
<b>Total other financing sources (uses)</b>	<b>(1,605,065)</b>	<b>1,649,505</b>	<b>(41,285)</b>	<b>3,155</b>
<b>Net changes in fund balances</b>	<b>614,982</b>	<b>999,871</b>	<b>332,831</b>	<b>1,947,684</b>
Fund balances, beginning of year	3,368,252	463,020	1,112,923	4,944,195
<b>Fund balances, end of year</b>	<b>\$ 3,983,234</b>	<b>\$ 1,462,891</b>	<b>\$ 1,445,754</b>	<b>\$ 6,891,879</b>

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, 2022

**Net change in fund balances - total governmental funds** \$ 1,947,684

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	1,255,110
Depreciation expense	(1,115,252)
Proceeds from the sale of capital assets	(3,155)
Loss on the sale of capital assets	(4,737)

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

Principal payments on long-term debt	1,848,177
Amortization of bond premium, deferred charge on bond refunding, and change in accrued interest	42,390

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	21,725
Change in net pension liability and related deferred amounts	1,745,309
Change in the net other postemployment benefit liability and related deferred amounts	2,222,794

**Change in net position of governmental activities** \$ 7,960,045

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, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 4,296,899	\$ 4,362,611	\$ 4,378,518	\$ 15,907
State sources	18,135,434	18,944,905	18,914,870	(30,035)
Federal sources	1,560,917	4,815,565	4,628,629	(186,936)
Other sources	297,226	364,672	369,769	5,097
<b>Total revenues</b>	<b>24,290,476</b>	<b>28,487,753</b>	<b>28,291,786</b>	<b>(195,967)</b>
<b>Expenditures</b>				
Current:				
Instructional services:				
Basic instruction	12,518,265	13,778,493	13,676,211	(102,282)
Added needs	3,113,171	3,348,651	3,196,088	(152,563)
Supporting services:				
Pupil services	1,893,406	2,147,920	2,082,038	(65,882)
Instructional staff	873,017	1,020,838	912,270	(108,568)
General administration	420,086	471,540	425,212	(46,328)
School administration	1,302,363	1,323,034	1,308,665	(14,369)
Business services	395,784	511,039	492,435	(18,604)
Operations and maintenance	1,647,092	1,770,891	1,652,496	(118,395)
Transportation	1,350,213	1,401,434	1,353,932	(47,502)
Central services	99,629	90,696	61,665	(29,031)
Athletics	506,948	535,960	517,494	(18,466)
Community services	79,016	104,995	91,965	(13,030)
Debt service:				
Principal	73,178	73,178	73,177	(1)
Interest and fiscal charges	5,210	5,210	5,209	(1)
Capital outlay	12,305	273,139	222,882	(50,257)
<b>Total expenditures</b>	<b>24,289,683</b>	<b>26,857,018</b>	<b>26,071,739</b>	<b>(785,279)</b>
Revenues over expenditures	793	1,630,735	2,220,047	589,312
<b>Other financing sources (uses)</b>				
Transfers in	-	41,285	41,285	-
Transfers out	-	(1,646,350)	(1,646,350)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(1,605,065)</b>	<b>(1,605,065)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>793</b>	<b>25,670</b>	<b>614,982</b>	<b>589,312</b>
Fund balance, beginning of year	3,368,252	3,368,252	3,368,252	-
<b>Fund balance, end of year</b>	<b>\$ 3,369,045</b>	<b>\$ 3,393,922</b>	<b>\$ 3,983,234</b>	<b>\$ 589,312</b>

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, 2022

#### Assets

Cash and cash equivalents	\$ 660,172
Interest receivable	4,223
Investments - at fair value:	
Common stocks	3,536,859
Mutual funds	2,223,194
Bonds	<u>395,369</u>
<b>Total assets</b>	<u>6,819,817</u>
<b>Net position restricted for scholarships</b>	<u>\$ 6,819,817</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, 2022

#### Additions

Contributions	\$ 362,719
Investment income (loss):	
Interest and dividends	119,629
Net decrease in fair value of investments	<u>(925,258)</u>
Total investment loss	<u>(805,629)</u>
<b>Total additions, net of investment loss</b>	<b><u>(442,910)</u></b>

#### Deductions

Scholarships and trophies	449,256
Trustee fees	<u>41,882</u>
<b>Total deductions</b>	<b><u>491,138</u></b>

<b>Change in net position</b>	<b>(934,048)</b>
Net position, beginning of year	<u>7,753,865</u>
<b>Net position, end of year</b>	<b><u><u>\$ 6,819,817</u></u></b>

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, 2022.

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 following major governmental funds:

*General fund* – This fund is the District’s primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

*Public improvement fund* – This 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.

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 *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.

# ESCANABA AREA PUBLIC SCHOOLS

## Notes to Financial Statements

The effect of interfund activity has been eliminated from the District-wide 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, 2022.

#### ***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 assets 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 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, 2022 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.

### *Unearned Revenue*

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as unearned revenue. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

# ESCANABA AREA PUBLIC SCHOOLS

## Notes to Financial Statements

### *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.

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 assets 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.

# ESCANABA AREA PUBLIC SCHOOLS

## Notes to Financial Statements

### ***Fund Balances***

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

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

### ***Interfund Transactions***

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District. 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 2021 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.

# ESCANABA AREA PUBLIC SCHOOLS

## Notes to Financial Statements

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## 2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by the State of Michigan school aid appropriations act. State funding represents 67% of the District's general fund revenue during the 2022 fiscal year.

## 3. DEFICIT NET POSITION

Governmental activities reported a deficit in unrestricted net position in the amount of \$38,511,475 at June 30, 2022. Total net position amounted to a deficit of \$21,394,227.

## 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, 2022, the District did not incur expenditures in excess of the amounts appropriated.

## 5. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2022:

	<b>Totals</b>
<b>Statement of Net Position</b>	
Cash and investments	\$ 6,677,127
<b>Statement of Fiduciary Net Position</b>	
Private Purpose Trusts:	
Cash and cash equivalents	660,172
Investments	6,155,422
<b>Total</b>	<u>\$ 13,492,721</u>

# ESCANABA AREA PUBLIC SCHOOLS

## Notes to Financial Statements

	<b>Totals</b>
<b>Deposits and Investments</b>	
Bank deposits (checking accounts, savings accounts)	\$ 7,288,657
Investments in securities and mutual funds:	
Pooled investments	48,142
Common stocks	3,536,859
Mutual funds	2,223,194
Bonds	395,369
Total investments in securities and mutual funds	<u>6,203,564</u>
Cash on hand	<u>500</u>
<b>Total</b>	<u><u>\$ 13,492,721</u></u>

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.

# ESCANABA AREA PUBLIC SCHOOLS

## Notes to Financial Statements

### *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, \$6,977,940 of the District’s bank balance of \$7,503,393 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.

The District chooses to disclose its investments by investment type. As of June 30, 2022, the District had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 48,142	AAAm (S&P)
Common stocks	N/A	3,536,859	N/A
Mutual funds	N/A	2,223,194	N/A
Bonds	N/A	<u>395,369</u>	N/A
<b>Total</b>		<u>\$ 6,203,564</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.

# ESCANABA AREA PUBLIC SCHOOLS

## Notes to Financial Statements

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools 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.

The District had the following recurring fair value measurements as of June 30, 2022:

Investment Type	Level 1	Level 2	Level 3	Total
Common stocks	\$ 3,536,859	\$ -	\$ -	\$ 3,536,859
Mutual funds	2,223,194	-	-	2,223,194
Bonds	-	395,369	-	395,369
Total	<u>\$ 5,760,053</u>	<u>\$ 395,369</u>	<u>\$ -</u>	6,155,422
Investments carried at net asset value:				
Michigan CLASS government investment pool				<u>48,142</u>
<b>Total investments at fair value</b>				<u><u>\$ 6,203,564</u></u>

## ESCANABA AREA PUBLIC SCHOOLS

### Notes to Financial Statements

**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 \$48,142. 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, 2022 are comprised of the following:

	Amount
Accounts receivable	\$ 123,834
Due from other governments	<u>4,595,749</u>
	<u>\$ 4,719,583</u>

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2022, are comprised of the following:

	Amount
Accounts payable	\$ 147,944
Salaries payable	925,974
Accrued liabilities	1,367,622
Accrued Interest on long-term debt	<u>97,784</u>
<b>Total accounts payable and accrued liabilities</b>	<u>\$ 2,539,324</u>

# ESCANABA AREA PUBLIC SCHOOLS

## Notes to Financial Statements

### 8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The District reports interfund balances between certain funds. These interfund balances resulted primarily from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. As of June 30, 2022, the food service fund had an outstanding receivable from the general fund of \$382.

For the year ended June 30, 2022, interfund transfers consisted of the following:

Transfers Out	Transfers In			Total
	General Fund	Public Improvement	Nonmajor governmental funds	
General fund	\$ -	\$ 1,646,350	\$ -	1,646,350
Nonmajor governmental funds	41,285	-	2,448,300	2,489,585
<b>Total</b>	<u>\$ 41,285</u>	<u>\$ 1,646,350</u>	<u>\$ 2,448,300</u>	<u>\$ 4,135,935</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, 2022:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 720,597	\$ -	\$ -	\$ 720,597
Capital assets, being depreciated:				
Buildings and improvements	46,421,559	754,655	(87,811)	47,088,403
Machinery and equipment	2,118,862	436,236	(99,555)	2,455,543
Vehicles and buses	1,969,866	64,219	(77,616)	1,956,469
	<u>50,510,287</u>	<u>1,255,110</u>	<u>(264,982)</u>	<u>51,500,415</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,395,573)	(897,518)	87,811	(18,205,280)
Machinery and equipment	(1,359,265)	(121,735)	91,663	(1,389,337)
Vehicles and buses	(1,515,446)	(95,999)	77,616	(1,533,829)
	<u>(20,270,284)</u>	<u>(1,115,252)</u>	<u>257,090</u>	<u>(21,128,446)</u>
Total capital assets being depreciated, net	<u>30,240,003</u>	<u>139,858</u>	<u>(7,892)</u>	<u>30,371,969</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 30,960,600</u>	<u>\$ 139,858</u>	<u>\$ (7,892)</u>	<u>\$ 31,092,566</u>

Depreciation expense of \$1,115,252 is reported as unallocated in the statement of activities.

### 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, 2022 was as follows:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
State aid anticipation notes payable	\$ 3,197,607	\$ 2,750,000	\$ (3,995,294)	\$ 1,952,313

The balance at June 30, 2022 includes accrued interest of \$2,313.

The notes which carry an interest rate of 0.12% and 0.11%, 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, 2022:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
<b>Governmental activities</b>					
General obligation bonds	\$ 16,435,000	\$ -	\$ (1,775,000)	\$ 14,660,000	\$ 1,795,000
Notes from direct borrowings and direct placements	221,992	-	(73,177)	148,815	74,816
	<u>16,656,992</u>	<u>-</u>	<u>(1,848,177)</u>	<u>14,808,815</u>	<u>1,869,816</u>
Bond premium	788,478	-	(87,609)	700,869	87,609
Early retirement incentives and compensated absences	1,455,748	206,388	(228,113)	1,434,023	142,953
	<u>1,455,748</u>	<u>206,388</u>	<u>(228,113)</u>	<u>1,434,023</u>	<u>142,953</u>
Total long-term liabilities	<u>\$ 18,901,218</u>	<u>\$ 206,388</u>	<u>\$ (2,163,899)</u>	<u>\$ 16,943,707</u>	<u>\$ 2,100,378</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, 2022, 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%.

\$ 14,660,000

Premium on bonds

700,869

**Total**

15,360,869

# 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, including interest charged at 1.95%.

\$ 39,196

\$178,214, Installment purchase agreement for two buses, due in annual installments of \$38,426 through July 2024, including interest charged at 2.56%.

109,619

### Total notes from direct borrowings and direct placements

148,815

15,509,684

Early retirement incentives and compensated absences

1,434,023

Total long-term debt

\$ 16,943,707

### 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, 2022, 41 retirees were receiving or eligible to begin receiving the early retirement incentive, with \$66,600 being paid to these individuals during 2021-2022. The total early retirement incentive liability at June 30, 2022 was \$253,000.

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, 2022 was \$1,181,023.

The estimated debt service requirements on bonded debt for principal and interest to maturity as of June 30, 2022 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
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	1,855,000	328,100	2,183,100
2027	1,855,000	253,900	2,108,900
2028-2030	<u>5,460,000</u>	<u>360,350</u>	<u>5,820,350</u>
<b>Total</b>	<u><u>\$ 14,660,000</u></u>	<u><u>\$ 2,423,000</u></u>	<u><u>\$ 17,083,000</u></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, 2022 are as follows:

Year Ending June 30,	Installment Purchase Agreements		
	Principal	Interest	Total
2023	\$ 74,816	\$ 3,572	\$ 78,388
2024	36,532	959	37,491
2025	37,467	959	38,426
<b>Total</b>	<b>\$ 148,815</b>	<b>\$ 5,490</b>	<b>\$ 154,305</b>

The debt service requirements for accrued compensated absences are dependent upon future employee retirements and terminations. Thus, future payments are unknown at June 30, 2022. 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](http://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.

## ESCANABA AREA PUBLIC SCHOOLS

### Notes to Financial Statements

#### *Other Postemployment Benefits Provided*

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

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

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.

# ESCANABA AREA PUBLIC SCHOOLS

## Notes to Financial Statements

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	19.78% - 20.14%
Member Investment Plan (MIP)	3.00% - 7.00%	19.78% - 20.14%
Pension Plus	3.00% - 6.40%	16.82% - 17.22%
Pension Plus 2	6.20%	19.59% - 19.93%
Defined Contribution	0.00%	13.39% - 13.73%

For the year ended June 30, 2022, required and actual contributions from the District to the pension plan were \$4,020,761, which included \$1,973,653, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.09% - 8.43%
Personal Healthcare Fund (PHF)	0.00%	7.23% - 7.57%

For the year ended June 30, 2022, required and actual contributions from the District to the OPEB plan were \$1,000,690.

The table below summarizes defined contribution rates in effect for fiscal year 2022:

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%

## ESCANABA AREA PUBLIC SCHOOLS

### Notes to Financial Statements

For the year ended June 30, 2022, required and actual contributions from the District for those members with a defined contribution benefit were \$310,668.

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

At June 30, 2022, the District reported a liability of \$29,827,726 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the District's proportion was 0.12599%, which was a decrease of 0.00347% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$2,349,065. At June 30, 2022, 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	\$ 462,044	\$ 175,650	\$ 286,394
Changes in assumptions	1,880,233	-	1,880,233
Net difference between projected and actual earnings on pension plan investments	-	9,589,518	(9,589,518)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,987,248	(1,987,248)
	<u>2,342,277</u>	<u>11,752,416</u>	<u>(9,410,139)</u>
District contributions subsequent to the measurement date	3,896,455	-	3,896,455
<b>Total</b>	<u>\$ 6,238,732</u>	<u>\$ 11,752,416</u>	<u>\$ (5,513,684)</u>

## ESCANABA AREA PUBLIC SCHOOLS

### Notes to Financial Statements

The \$3,896,455 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, 2023. 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
2023	\$ (1,673,591)
2024	(2,329,861)
2025	(2,711,420)
2026	<u>(2,695,267)</u>
<b>Total</b>	<u>\$ (9,410,139)</u>

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

At June 30, 2022, the District reported a liability of \$1,905,688 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the District's proportion was 0.12485% which was a decrease of 0.00307% from its proportion measured as of September 30, 2020.

## ESCANABA AREA PUBLIC SCHOOLS

### Notes to Financial Statements

For the year ended June 30, 2022, the District recognized OPEB expense of \$(1,301,646). At June 30, 2022, 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	\$ -	\$ 5,439,649	\$ (5,439,649)
Changes in assumptions	1,593,060	238,381	1,354,679
Net difference between projected and actual earnings on OPEB plan investments	-	1,436,351	(1,436,351)
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,022	752,796	(746,774)
	<u>1,599,082</u>	<u>7,867,177</u>	<u>(6,268,095)</u>
District contributions subsequent to the measurement date	913,267	-	913,267
	<u>913,267</u>	<u>-</u>	<u>913,267</u>
<b>Total</b>	<u>\$ 2,512,349</u>	<u>\$ 7,867,177</u>	<u>\$ (5,354,828)</u>

The \$913,267 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, 2023. 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
2023	\$ (1,673,068)
2024	(1,529,338)
2025	(1,362,277)
2026	(1,222,124)
2027	(425,468)
Thereafter	<u>(55,820)</u>
<b>Total</b>	<u>\$ (6,268,095)</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, 2020 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	7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
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, 2021, are based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4367 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.1312 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

## ESCANABA AREA PUBLIC SCHOOLS

### 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, 2021, 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	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity pools	15.00%	7.08%	1.06%
Fixed income pools	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-1.29%	-0.03%
	<u>100.00%</u>		5.04%
Inflation			2.00%
Risk adjustment			<u>-0.24%</u>
<b>Investment rate of return</b>			<u><u>6.80%</u></u>

## ESCANABA AREA PUBLIC SCHOOLS

### 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, 2021, 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	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity pools	15.00%	7.08%	1.06%
Fixed income pools	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-1.29%	-0.03%
	<u>100.00%</u>		5.04%
Inflation			2.00%
Risk adjustment			<u>-0.09%</u>
<b>Investment rate of return</b>			<u><u>6.95%</u></u>

#### *Rate of Return*

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.30% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

# ESCANABA AREA PUBLIC SCHOOLS

## 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:

	<b>1% Decrease (5.80% / 5.80% / 5.00%)</b>	<b>Current Discount Rate (6.80% / 6.80% / 6.00%)</b>	<b>1% Increase (7.80% / 7.80% / 7.00%)</b>
District's proportionate share of the net pension liability	\$ 42,645,560	\$ 29,827,726	\$ 19,200,902

### *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:

	<b>1% Decrease (5.95%)</b>	<b>Current Discount Rate (6.95%)</b>	<b>1% Increase (7.95%)</b>
District's proportionate share of the net OPEB liability	\$ 3,541,111	\$ 1,905,688	\$ 517,797

# ESCANABA AREA PUBLIC SCHOOLS

## 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 (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net OPEB liability	\$ 463,829	\$ 1,905,688	\$ 3,527,952

### *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](http://www.michigan.gov/orsschools).

### *Payable to the Pension Plan*

At June 30, 2022, the District reported a payable of \$646,211 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2022.

### *Payable to the OPEB Plan*

At June 30, 2022, the District reported a payable of \$115,366 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2022.

## 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, 2022, the District contributed \$25,617 to the Plan.

Membership of the Plan consisted of the following at June 30, 2021, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	106
Active plan members	<u>109</u>
<b>Total</b>	<u><u>215</u></u>

### **Actuarial Assumptions**

The total OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021, rolled forward to the measurement date of June 30, 2022. The following actuarial assumptions were used in the measurement:

Actuarial cost method	Entry age (level percentage of compensation)
Amortization method	7-year, level percent of pay
Inflation	N/A - plan is not pre-funded
Salary increases	3.50% (for purposes of allocating liability)
Investment rate of return	N/A - plan is not pre-funded
20-year Aa Municipal bond rate	2.18%
Mortality	Public Teacher and General 2010 Employee and Healthy Retiree, Headcount weighted
Premiums	Monthly premiums based on the following: \$42.03 administrators and supervisors; \$14.28 EEA, and \$27.33 teamsters and non-union

**Discount Rate** -The discount rate used to measure the total OPEB liability was 2.18% for 2022 contribution; 4.09% for June 30, 2022 disclosure and 2023 contribution. The Plan is funded on a pay-as-you-go basis, therefore, the AA municipal bond index of 4.09% was applied to all future periods.

**Assumption changes since prior valuation** include: mortality improvement scale updated from MP-2020; discount rate raised from 2.18% to 4.09%.

# ESCANABA AREA PUBLIC SCHOOLS

## Notes to Financial Statements

### *Changes in Total OPEB liability*

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

	<b>Fiscal Year Ending June 30, 2022</b>
<b><i>Total OPEB Liability</i></b>	
Service cost	\$ 5,808
Interest	5,062
Difference between expected and actual experience	1,715
Change in assumptions	(21,830)
Benefit payments (including refunds of employee contributions)	<u>(25,617)</u>
Net change in total OPEB liability	(34,862)
Total OPEB liability - beginning of year	<u>239,195</u>
Total OPEB Liability - end of year	<u><u>\$ 204,333</u></u>

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$7,687. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
Difference between expected and actual experience	\$ 14,719	\$ 15,671	\$ (952)
Changes in assumptions	<u>7,187</u>	<u>19,460</u>	<u>(12,273)</u>
	<u><u>\$ 21,906</u></u>	<u><u>\$ 35,131</u></u>	<u><u>\$ (13,225)</u></u>

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

<b>Year Ended June 30,</b>	<b>Amount Recognized</b>
2023	\$ (4,149)
2024	(4,543)
2025	<u>(4,533)</u>
Total	<u><u>\$ (13,225)</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 4.09%, 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 (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
District's total OPEB liability	\$ 215,434	\$ 204,333	\$ 193,988

### *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	\$ 188,973	\$ 204,333	\$ 221,560

## 14. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2022, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 720,597
Capital assets being depreciated, net	<u>30,371,969</u>
	<u>31,092,566</u>
Related debt:	
Bonds and installment purchase agreements	(14,808,815)
Premiums on bonds payable	(700,869)
Deferred charge on bond refunding	<u>482,303</u>
	<u>(15,027,381)</u>
<b>Net investment in capital assets</b>	<u><u>\$ 16,065,185</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, 2022.

### 16. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for the District to deliver education to students in a safe environment. At this time, management does not believe that any ongoing negative financial impact related to the pandemic, if any, would be material to the District.

### 17. SUBSEQUENT EVENT

In August 2022, the District borrowed \$1,250,000 on state aid anticipation notes with effective interest charged at 1.97% maturing in July 2023.

In August 2022, the District borrowed \$2,000,000 on state aid anticipation notes with effective interest charged at 1.90% maturing in August 2023.



**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,			
	2022	2021	2020	2019
District's proportionate share of the net pension liability	\$ 29,827,726	\$ 44,469,541	\$ 44,391,340	\$ 41,471,358
District's proportion of the net pension liability	0.12599%	0.12946%	0.13405%	0.13795%
District's covered payroll	\$ 11,309,937	\$ 11,341,983	\$ 11,545,499	\$ 11,671,363
District's proportionate share of the net pension liability as a percentage of its covered payroll	263.73%	392.08%	384.49%	355.33%
Plan fiduciary net position as a percentage of the total pension liability	72.60%	59.72%	60.31%	62.36%

See notes to required supplementary information.



Year Ended June 30,			
2018	2017	2016	2015
\$ 36,293,818	\$ 29,827,726	\$ 34,115,831	\$ 29,492,376
0.14005%	0.14288%	0.13968%	0.13389%
\$ 11,550,184	\$ 12,196,742	\$ 12,316,387	\$ 12,089,451
314.23%	244.55%	277.00%	243.95%
64.21%	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,			
	2022	2021	2020	2019
Statutorily required contribution	\$ 4,020,761	\$ 3,633,919	\$ 3,518,789	\$ 3,441,147
Contributions in relation to the statutorily required contribution	<u>(4,020,761)</u>	<u>(3,633,919)</u>	<u>(3,518,789)</u>	<u>(3,441,147)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,972,146	\$ 11,166,226	\$ 11,855,233	\$ 11,496,598
Contributions as a percentage of covered payroll	33.58%	32.54%	29.68%	29.93%

See notes to required supplementary information.



Year Ended June 30,			
2018	2017	2016	2015
\$ 3,727,557	\$ 3,244,186	\$ 3,271,804	\$ 3,140,498
<u>(3,727,557)</u>	<u>(3,244,186)</u>	<u>(3,271,804)</u>	<u>(3,140,498)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,697,921	\$ 12,002,957	\$ 12,667,478	\$ 12,406,912
31.87%	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,				
	2022	2021	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 1,905,688	\$ 6,852,885	\$ 9,483,253	\$ 10,900,558	\$ 12,425,644
District's proportion of the net OPEB liability	0.12485%	0.12792%	0.13212%	0.13713%	0.14032%
District's covered payroll	\$ 11,309,937	\$ 11,341,983	\$ 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	16.85%	60.42%	82.14%	93.40%	107.58%
Plan fiduciary net position as a percentage of the total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

## ESCANABA AREA PUBLIC SCHOOLS

### Required Supplementary Information

MPERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Statutorily required contributions	\$ 1,000,690	\$ 973,547	\$ 989,956	\$ 942,954	\$ 900,666
Contributions in relation to the statutorily required contributions	<u>(1,000,690)</u>	<u>(973,547)</u>	<u>(989,956)</u>	<u>(942,954)</u>	<u>(900,666)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,972,146	\$ 11,166,226	\$ 11,855,233	\$ 11,496,598	\$ 11,697,921
Contributions as a percentage of covered payroll	8.36%	8.72%	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,				
	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service Cost	\$ 5,808	\$ 9,095	\$ 8,856	\$ 7,840	\$ 8,043
Interest	5,062	7,074	8,093	8,035	8,747
Difference between expected and actual experience	1,715	(30,181)	6,893	31,796	2,154
Change in assumptions	(21,830)	9,698	4,664	(9,905)	3,258
Benefit payments (including refunds of employee contributions)	(25,617)	(26,636)	(38,542)	(34,625)	(37,994)
Other changes	-	-	-	(302)	-
Net change in total OPEB liability	(34,862)	(30,950)	(10,036)	2,839	(15,792)
Total OPEB liability, beginning of year	239,195	270,145	280,181	277,342	293,134
Total OPEB Liability, end of year	<u>\$ 204,333</u>	<u>\$ 239,195</u>	<u>\$ 270,145</u>	<u>\$ 280,181</u>	<u>\$ 277,342</u>
District's covered payroll	\$ 7,774,311	\$ 7,339,944	\$ 11,728,625	\$ 11,628,280	Not Available
Total OPEB liability as percentage of covered payroll	2.6%	3.3%	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,				
	2022	2021	2020	2019	2018
Statutorily required contributions	\$ 35,492	\$ 47,994	\$ 40,569	\$ 36,023	\$ 38,627
Contributions in relation to the statutorily required contributions	<u>(25,617)</u>	<u>(26,636)</u>	<u>(38,542)</u>	<u>(34,923)</u>	<u>(37,994)</u>
Contribution deficiency	<u>\$ 9,875</u>	<u>\$ 21,358</u>	<u>\$ 2,027</u>	<u>\$ 1,100</u>	<u>\$ 633</u>
District's covered payroll	\$ 7,774,311	\$ 7,339,944	\$ 11,728,625	\$ 11,628,280	Not Available
Contributions as a percentage of covered payroll	0.33%	0.36%	0.33%	0.30%	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 data 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:

- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 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:

- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 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%.

# ESCANABA AREA PUBLIC SCHOOLS

## Notes to Required Supplementary Information

### 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 data will be presented.

#### Notes to the Schedule of Employer Contributions

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Methods:	
Cost method	Entry Age Normal (level percentage of compensation)
Asset valuation method	N/A, plan is not pre-funded
Amortization method	7-year, level percent of pay
Actuarial Assumptions:	
Discount rate	2.18% for 2022 contribution; 4.09% for June 30, 2022 disclosure and 2023 contribution
Salary scale	3.50%
Mortality rates	Teachers – Public Teacher 2010 Employee and Healthy Retiree, headcount weighted, MP-2021 improvement scale Administrators and Teamsters – Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2021 improvement scale
Utilization	100% of eligible employees will elect coverage at retirement; actual coverage used for non-active.
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.

Termination Rates	Sample Ages	Years of Service	Teachers	Non-Teachers
	All	0	21.00%	35.00%
	All	1	11.00%	14.00%
	All	2	7.00%	8.20%
	All	3	6.00%	6.80%
	All	4	5.00%	5.70%
	25	5 & Over	3.00%	4.76%
	35	5 & Over	2.22%	3.40%
	45	5 & Over	1.32%	2.20%
	50	5 & Over	1.32%	2.20%

# ESCANABA AREA PUBLIC SCHOOLS

## Notes to Required Supplementary Information

### *Notes to the Schedule of Changes in the Total OPEB Liability and Related Ratios*

#### 2022 Assumption changes

- Mortality improvement scale updated from MP-2020
- Discount rate raised from 2.18% to 4.09%

#### 2021 Assumption changes

- Mortality improvement scale updated from MP-2019
- Discount rate lowered from 2.66% to 2.18%
- Termination rates added

#### 2020 Assumption changes

- Mortality improvement table updated from MP-2018 to MP-2019
- Discount rate lowered from 3.0% to 2.66%

#### 2019 Assumption changes

- Mortality tables updated
- Salary scale updated

#### 2018 Assumption changes

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



**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, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 4,113,549	\$ 4,024,947	\$ 4,023,293	\$ (1,654)
Local restricted	-	8,357	5,680	(2,677)
Other local revenue	183,350	329,307	349,545	20,238
<b>Total local sources</b>	<b>4,296,899</b>	<b>4,362,611</b>	<b>4,378,518</b>	<b>15,907</b>
State sources:				
State aid unrestricted	13,855,354	14,238,786	14,238,788	2
State aid restricted	4,280,080	4,706,119	4,676,082	(30,037)
<b>Total state sources</b>	<b>18,135,434</b>	<b>18,944,905</b>	<b>18,914,870</b>	<b>(30,035)</b>
Federal sources	1,560,917	4,815,565	4,628,629	(186,936)
Other sources:				
Other restricted	297,226	364,672	369,769	5,097
<b>Total revenues</b>	<b>24,290,476</b>	<b>28,487,753</b>	<b>28,291,786</b>	<b>(195,967)</b>
<b>Expenditures</b>				
Current:				
Basic instruction:				
Salaries	4,976,184	5,005,827	5,004,805	(1,022)
Fringe benefits	5,116,141	5,157,552	5,145,397	(12,155)
Purchased services	500,324	891,546	815,145	(76,401)
Supplies	1,925,616	2,723,568	2,710,864	(12,704)
	12,518,265	13,778,493	13,676,211	(102,282)
Added needs:				
Salaries	1,772,593	1,768,519	1,711,481	(57,038)
Fringe benefits	1,164,403	1,299,089	1,256,684	(42,405)
Purchased services	49,439	164,889	116,728	(48,161)
Supplies	126,736	116,154	111,195	(4,959)
	3,113,171	3,348,651	3,196,088	(152,563)
<b>Total instruction</b>	<b>15,631,436</b>	<b>17,127,144</b>	<b>16,872,299</b>	<b>(254,845)</b>
Support services:				
Pupil services:				
Salaries	965,773	1,127,846	1,102,813	(25,033)
Fringe benefits	765,100	888,940	883,420	(5,520)
Purchased services	118,761	84,237	64,625	(19,612)
Supplies	43,772	46,897	31,180	(15,717)
	1,893,406	2,147,920	2,082,038	(65,882)

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, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (continued)</b>				
Current (continued):				
Support services (continued):				
Instructional staff:				
Salaries	\$ 300,735	\$ 284,576	\$ 260,806	\$ (23,770)
Fringe benefits	243,080	208,832	197,894	(10,938)
Purchased services	173,960	272,180	242,516	(29,664)
Supplies	155,242	255,250	211,054	(44,196)
	<u>873,017</u>	<u>1,020,838</u>	<u>912,270</u>	<u>(108,568)</u>
General administration:				
Salaries	177,172	188,616	180,460	(8,156)
Fringe benefits	128,644	160,974	151,905	(9,069)
Purchased services	84,070	98,250	77,837	(20,413)
Supplies	30,200	23,700	15,010	(8,690)
	<u>420,086</u>	<u>471,540</u>	<u>425,212</u>	<u>(46,328)</u>
School administration:				
Salaries	742,045	719,916	718,811	(1,105)
Fringe benefits	497,935	541,910	542,310	400
Purchased services	8,726	7,551	1,665	(5,886)
Supplies	53,657	53,657	45,879	(7,778)
	<u>1,302,363</u>	<u>1,323,034</u>	<u>1,308,665</u>	<u>(14,369)</u>
Business services:				
Salaries	177,006	186,385	180,085	(6,300)
Fringe benefits	132,011	150,281	144,423	(5,858)
Purchased services	47,618	31,618	26,145	(5,473)
Supplies	12,966	126,032	125,060	(972)
Interest on state aid note payable	26,183	16,723	16,722	(1)
	<u>395,784</u>	<u>511,039</u>	<u>492,435</u>	<u>(18,604)</u>
Operations and maintenance:				
Salaries	222,879	220,100	192,862	(27,238)
Fringe benefits	155,305	213,342	201,371	(11,971)
Purchased services	810,245	861,674	804,143	(57,531)
Supplies	458,663	475,775	454,120	(21,655)
	<u>1,647,092</u>	<u>1,770,891</u>	<u>1,652,496</u>	<u>(118,395)</u>
Transportation:				
Salaries	564,026	555,399	533,628	(21,771)
Fringe benefits	507,829	497,574	497,549	(25)
Purchased services	111,318	146,589	146,205	(384)
Supplies	167,040	201,872	176,550	(25,322)
	<u>1,350,213</u>	<u>1,401,434</u>	<u>1,353,932</u>	<u>(47,502)</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, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (concluded)</b>				
Current (concluded):				
Supporting services (concluded):				
Central services:				
Purchased services	\$ 99,629	\$ 90,696	\$ 61,665	\$ (29,031)
Athletics:				
Salaries	194,472	175,470	174,737	(733)
Fringe benefits	98,404	96,026	92,617	(3,409)
Purchased services	153,229	174,680	157,612	(17,068)
Supplies	60,843	89,784	92,528	2,744
	<u>506,948</u>	<u>535,960</u>	<u>517,494</u>	<u>(18,466)</u>
Total support services	<u>8,488,538</u>	<u>9,273,352</u>	<u>8,806,207</u>	<u>(467,145)</u>
Community services:				
Salaries	35,498	39,824	42,147	2,323
Fringe benefits	19,143	22,726	25,829	3,103
Purchased services	20,472	27,968	15,033	(12,935)
Supplies	3,903	14,477	8,956	(5,521)
	<u>79,016</u>	<u>104,995</u>	<u>91,965</u>	<u>(13,030)</u>
Total community services	<u>79,016</u>	<u>104,995</u>	<u>91,965</u>	<u>(13,030)</u>
Debt service:				
Principal	73,178	73,178	73,177	(1)
Interest and fiscal charges	5,210	5,210	5,209	(1)
	<u>78,388</u>	<u>78,388</u>	<u>78,386</u>	<u>(2)</u>
Total debt service	<u>78,388</u>	<u>78,388</u>	<u>78,386</u>	<u>(2)</u>
Capital outlay	<u>12,305</u>	<u>273,139</u>	<u>222,882</u>	<u>(50,257)</u>
<b>Total expenditures</b>	<u>24,289,683</u>	<u>26,857,018</u>	<u>26,071,739</u>	<u>(785,279)</u>
Revenues over expenditures	<u>793</u>	<u>1,630,735</u>	<u>2,220,047</u>	<u>589,312</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	41,285	41,285	-
Transfers out	-	(1,646,350)	(1,646,350)	-
	<u>-</u>	<u>(1,605,065)</u>	<u>(1,605,065)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(1,605,065)</u>	<u>(1,605,065)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>793</u>	<u>25,670</u>	<u>614,982</u>	<u>589,312</u>
Fund balance, beginning of year	<u>3,368,252</u>	<u>3,368,252</u>	<u>3,368,252</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 3,369,045</u>	<u>\$ 3,393,922</u>	<u>\$ 3,983,234</u>	<u>\$ 589,312</u>

concluded

# ESCANABA AREA PUBLIC SCHOOLS

## Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

	Special Revenue Fund		Debt Service Funds		Total
	Food Service	Student/School Activities	2010 Debt Retirement	2014 Refunding Bonds	
<b>Assets</b>					
Cash and investments	\$ 672,765	\$ 297,292	\$ 497,572	\$ -	\$ 1,467,629
Accounts receivable	3,197	-	-	-	3,197
Due from other funds	382	-	-	-	382
Due from other governments	14,353	-	-	-	14,353
Inventory	39,492	-	-	-	39,492
<b>Total assets</b>	<u>\$ 730,189</u>	<u>\$ 297,292</u>	<u>\$ 497,572</u>	<u>\$ -</u>	<u>\$ 1,525,053</u>
<b>Liabilities</b>					
Accounts payable	\$ 3,736	\$ 1,385	\$ -	\$ -	\$ 5,121
Accrued liabilities	18,874	-	-	-	18,874
Unearned revenue	55,304	-	-	-	55,304
<b>Total liabilities</b>	<u>77,914</u>	<u>1,385</u>	<u>-</u>	<u>-</u>	<u>79,299</u>
<b>Fund balances</b>					
Nonspendable for inventories	39,492	-	-	-	39,492
Restricted:					
Debt service	-	-	497,572	-	497,572
Food service	612,783	-	-	-	612,783
Committed:					
Student groups	-	295,907	-	-	295,907
<b>Total fund balances</b>	<u>652,275</u>	<u>295,907</u>	<u>497,572</u>	<u>-</u>	<u>1,445,754</u>
<b>Total liabilities and fund balances</b>	<u>\$ 730,189</u>	<u>\$ 297,292</u>	<u>\$ 497,572</u>	<u>\$ -</u>	<u>\$ 1,525,053</u>

## ESCANABA AREA PUBLIC SCHOOLS

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

Nonmajor Governmental Funds  
For the Year Ended June 30, 2022

	Special Revenue Fund		Debt Service Funds		Total
	Food Service	Student/School Activities	2010 Debt Retirement	2014 Refunding Bonds	
<b>Revenues</b>					
Local sources	\$ 95,594	\$ 362,312	\$ 2,018,176	\$ -	\$ 2,476,082
State sources	13,942	-	409,630	-	423,572
Federal sources	1,494,057	-	-	-	1,494,057
<b>Total revenues</b>	<u>1,603,593</u>	<u>362,312</u>	<u>2,427,806</u>	<u>-</u>	<u>4,393,711</u>
<b>Expenditures</b>					
Current:					
Salaries	300,299	-	-	-	300,299
Fringe benefits	223,279	-	-	-	223,279
Supplies	704,651	-	-	-	704,651
Student activities	-	342,989	-	-	342,989
Debt service:					
Principal	-	-	-	1,775,000	1,775,000
Interest and fiscal charges	-	-	77	673,300	673,377
<b>Total expenditures</b>	<u>1,228,229</u>	<u>342,989</u>	<u>77</u>	<u>2,448,300</u>	<u>4,019,595</u>
Revenues over (under) expenditures	<u>375,364</u>	<u>19,323</u>	<u>2,427,729</u>	<u>(2,448,300)</u>	<u>374,116</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	2,448,300	2,448,300
Transfers out	(41,285)	-	(2,448,300)	-	(2,489,585)
<b>Total other financing sources (uses)</b>	<u>(41,285)</u>	<u>-</u>	<u>(2,448,300)</u>	<u>2,448,300</u>	<u>(41,285)</u>
<b>Net changes in fund balances</b>	<u>334,079</u>	<u>19,323</u>	<u>(20,571)</u>	<u>-</u>	<u>332,831</u>
Fund balances, beginning of year	<u>318,196</u>	<u>276,584</u>	<u>518,143</u>	<u>-</u>	<u>1,112,923</u>
<b>Fund balances, end of year</b>	<u>\$ 652,275</u>	<u>\$ 295,907</u>	<u>\$ 497,572</u>	<u>\$ -</u>	<u>\$ 1,445,754</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, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 53,250	\$ 96,855	\$ 95,594	\$ (1,261)
State sources	65,913	57,529	13,942	(43,587)
Federal sources	1,710,200	1,541,983	1,494,057	(47,926)
<b>Total revenues</b>	<u>1,829,363</u>	<u>1,696,367</u>	<u>1,603,593</u>	<u>(92,774)</u>
<b>Expenditures</b>				
Salaries	318,507	327,403	300,299	(27,104)
Fringe benefits	240,213	251,412	223,279	(28,133)
Supplies	1,095,312	834,519	704,651	(129,868)
<b>Total expenditures</b>	<u>1,654,032</u>	<u>1,413,334</u>	<u>1,228,229</u>	<u>(185,105)</u>
Revenues over expenditures	175,331	283,033	375,364	92,331
<b>Other financing sources</b>				
Transfers out	-	(41,285)	(41,285)	-
<b>Net change in fund balance</b>	175,331	241,748	334,079	92,331
Fund balance, beginning of year	<u>318,196</u>	<u>318,196</u>	<u>318,196</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 493,527</u>	<u>\$ 559,944</u>	<u>\$ 652,275</u>	<u>\$ 92,331</u>

## 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, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 300,000	\$ 375,000	\$ 362,312	\$ (12,688)
<b>Expenditures</b>				
Student activities	<u>300,000</u>	<u>375,000</u>	<u>342,989</u>	<u>(32,011)</u>
<b>Net change in fund balance</b>	-	-	19,323	19,323
Fund balance, beginning of year	<u>276,584</u>	<u>276,584</u>	<u>276,584</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 276,584</u></u>	<u><u>\$ 276,584</u></u>	<u><u>\$ 295,907</u></u>	<u><u>\$ 19,323</u></u>

## ESCANABA AREA PUBLIC SCHOOLS

### Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds - Scholarships

June 30, 2022

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 38,006	\$ 622,166	\$ 660,172
Interest receivable	2,306	1,917	4,223
Investments:			
Common stocks	411,784	3,125,075	3,536,859
Mutual funds	1,127,918	1,095,276	2,223,194
Bonds	395,369	-	395,369
	<u>395,369</u>	<u>-</u>	<u>395,369</u>
<b>Net position restricted for scholarships</b>	<u>\$ 1,975,383</u>	<u>\$ 4,844,434</u>	<u>\$ 6,819,817</u>

## ESCANABA AREA PUBLIC SCHOOLS

### Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds - Scholarships

For the Year Ended June 30, 2022

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
<b>Additions</b>			
Contributions	\$ -	\$ 362,719	\$ 362,719
Investment income (loss):			
Interest and dividends	17,454	102,175	119,629
Net decrease in fair value of investments	(262,006)	(663,252)	(925,258)
Total investment loss	(244,552)	(561,077)	(805,629)
<b>Total additions, net of investment loss</b>	(244,552)	(198,358)	(442,910)
<b>Deductions</b>			
Scholarships and trophies	82,485	366,771	449,256
Trustee fees	10,686	31,196	41,882
<b>Total deductions</b>	93,171	397,967	491,138
<b>Change in net position</b>	(337,723)	(596,325)	(934,048)
Net position, beginning of year	2,313,106	5,440,759	7,753,865
<b>Net position, end of year</b>	\$ 1,975,383	\$ 4,844,434	\$ 6,819,817

**OTHER INFORMATION (UNAUDITED)**

## ESCANABA AREA PUBLIC SCHOOLS

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

For the Year Ended June 30, 2022

	Taxable Valuation	Per \$1,000 Valuation	Tax Levy
<b>General Fund (on homestead taxable valuation only)</b>			
City of Escanaba	\$ 160,171,237	6-18 mills	\$ 2,684,375
Wells Township (Delta County)	42,044,985	6-18 mills	732,925
Ford River Township	21,214,992	6-18 mills	381,380
Cornell Township	8,466,240	6-18 mills	150,454
Wells Township (Marquette County)	<u>2,478,965</u>	6-18 mills	<u>43,664</u>
<b>Total General Fund</b>	<u><u>\$ 234,376,419</u></u>	6-18 mills	<u><u>\$ 3,992,798</u></u>
<b>2010 Debt Retirement Fund (on total taxable valuation)</b>			
City of Escanaba	\$ 313,751,044	3.46 mills	\$ 1,085,579
Wells Township (Delta County)	160,015,980	3.46 mills	553,655
Ford River Township	75,624,050	3.46 mills	261,659
Cornell Township	25,330,461	3.46 mills	87,643
Wells Township (Marquette County)	<u>3,169,667</u>	3.46 mills	<u>10,967</u>
<b>Total 2010 Debt Retirement Fund</b>	<u><u>\$ 577,891,202</u></u>	3.46 mills	<u><u>\$ 1,999,503</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, 2022

	Net Position July 1, 2021	Additions				Total Additions
		Contributions	Interest and Dividends	Gain on Sale of Investments	Increase in Fair Value of Investments	
<b>Investment accounts</b>						
Abrahamson, Gary Sr. Athletic Award	\$ 142,965	\$ -	\$ 2,798	\$ 9,912	\$ (28,084)	\$ (15,374)
Abrahamson Family	129,008	-	2,526	8,945	(25,344)	(13,873)
Adamini, Peter Memorial	13,894	-	272	963	(2,729)	(1,494)
Aronson, Arthur V. & Elin C.	161,306	1,000	3,158	11,184	(31,686)	(16,344)
Beauchamp, Grace Huston	19,690	-	386	1,365	(3,868)	(2,117)
Beck, Conrad D.	18,279	-	358	1,267	(3,591)	(1,966)
Bennets, Jeanee	17,364	-	340	1,204	(3,411)	(1,867)
Berres, Frank Memorial	13,000	400	255	901	(2,554)	(998)
Berhow, Rona Rae Memorial	678	-	13	47	(133)	(73)
Berndt, Sherry	60,056	-	1,176	4,164	(11,797)	(6,457)
Bero, Willard & Joyce	71,528	-	1,401	4,959	(14,051)	(7,691)
Bonifas, Catherine	150,739	-	2,951	10,452	(29,610)	(16,207)
Bosk, Robert & Olga	91,398	-	1,790	6,337	(17,954)	(9,827)
Brown, Ian & Laura Family	2,514	-	49	174	(494)	(271)
Calouette, John A. Memorial	14,949	-	293	1,036	(2,937)	(1,608)
Chernick, John Memorial	3,563	-	70	247	(700)	(383)
Class of 1959	48,586	385	951	3,369	(9,544)	(4,839)
Cohodas, Sam M.	12,032	-	236	834	(2,364)	(1,294)
Coplan Family Music	51,685	-	1,012	3,584	(10,153)	(5,557)
Coplan, BA Memorial	84,024	-	1,645	5,826	(16,505)	(9,034)
Cvengros, Jerry Memorial	9,469	-	185	657	(1,860)	(1,018)
Cunningham Family	12,317	-	241	854	(2,419)	(1,324)
Dagenais, Elmer & Phoebe	19,205	100	376	1,332	(3,773)	(1,965)
Diedrich, Louis	27,728	1,975	543	1,923	(5,447)	(1,006)
Derkos, Danny Memorial	21,369	-	418	1,482	(4,198)	(2,298)
Derouin, Cook/Derouin's Collison	5,851	-	115	406	(1,150)	(629)
Derouin, Dean	5,152	1,640	101	357	(1,012)	1,086
Dufour, Susan C. & Thomas D	9,762	-	191	677	(1,918)	(1,050)
Dunstone, Robert Memorial	5,922	300	116	411	(1,163)	(336)
Edick, Edward E.	14,639	-	287	1,015	(2,876)	(1,574)
Erickson/Breitenbach Wildlife	1,678	-	33	116	(330)	(181)
Escanaba Educational Trust	16,475	-	323	1,142	(3,236)	(1,771)
Fernstrom, Esther	12,717	-	249	882	(2,498)	(1,367)
Ferrari, Joan Hesse	16,495	250	323	1,144	(3,240)	(1,523)
Fontaine, Sally Stack	13,099	-	256	908	(2,573)	(1,409)
Fleming, Lawrence and Nina	20,830	-	408	1,444	(4,092)	(2,240)
Freidhoff, Steve Memorial	2,208	1,000	43	153	(434)	762
Gasman, John T.	1,399	-	27	97	(275)	(151)
Gessner, Charles H. Family	114,221	-	2,236	7,920	(22,437)	(12,281)
Gordon, Dr. E. James	364,547	-	7,138	25,276	(71,610)	(39,196)
Grab, George	43,482	-	851	3,015	(8,541)	(4,675)
Green, Wendell & Mary Lorraine	31,828	-	623	2,207	(6,252)	(3,422)
Hansen, John Wesley Memorial	20,109	-	394	1,394	(3,950)	(2,162)
Haslow, Robert L. Memorial	8,338	-	163	578	(1,638)	(897)
Henslee, Forrest & Mary	47,486	-	930	3,292	(9,328)	(5,106)
Hermans, James L. Memorial	-	25,000	-	-	-	25,000
Johnson, Bradley D.	88,625	-	1,735	6,145	(17,409)	(9,529)
Karkkainen, Melvin	4,498	8,000	88	312	(884)	7,516
Kirstin, Herbert & Irene	21,873	-	428	1,517	(4,297)	(2,352)
Klemmetsen/Rose Memorial	407,204	-	7,973	28,234	(79,989)	(43,782)
Koontz, John & Barbara Memorial	5,406	-	106	375	(1,062)	(581)

Deductions					
Scholarships and Trophies	Trustee Fees	Total Deductions	Change in Net Position	Net Position June 30, 2022	Accumulated Contributions to Fund
\$ 6,350	\$ 857	\$ 7,207	\$ (22,581)	\$ 120,384	\$ 104,000
9,492	770	10,262	(24,135)	104,873	120,000
600	83	683	(2,177)	11,717	8,510
5,058	963	6,021	(22,365)	138,941	96,325
850	118	968	(3,085)	16,605	10,000
-	109	109	(2,075)	16,204	9,570
1,400	104	1,504	(3,371)	13,993	11,898
1,000	78	1,078	(2,076)	10,924	13,400
270	4	274	(347)	331	6,000
2,350	359	2,709	(9,166)	50,890	32,376
3,000	427	3,427	(11,118)	60,410	40,000
6,350	900	7,250	(23,457)	127,282	50,000
5,650	546	6,196	(16,023)	75,375	54,500
-	15	15	(286)	2,228	2,000
1,250	89	1,339	(2,947)	12,002	10,000
150	21	171	(554)	3,009	2,200
(350)	291	(59)	(4,780)	43,806	35,634
-	72	72	(1,366)	10,666	5,186
2,250	\$ 309	2,559	(8,116)	43,569	25,000
5,944	502	6,446	(15,480)	68,544	56,856
-	57	57	(1,075)	8,394	5,665
500	74	574	(1,898)	10,419	6,100
-	115	115	(2,080)	17,125	13,369
1,175	166	1,341	(2,347)	25,381	20,575
-	128	128	(2,426)	18,943	14,815
275	35	310	(939)	4,912	5,000
225	31	256	830	5,982	3,744
400	58	458	(1,508)	8,254	5,170
-	35	35	(371)	5,551	5,010
650	87	737	(2,311)	12,328	5,507
-	10	10	(191)	1,487	1,000
1,500	98	1,598	(3,369)	13,106	11,603
-	76	76	(1,443)	11,274	4,226
1,300	98	1,398	(2,921)	13,574	9,695
-	78	78	(1,487)	11,612	10,300
875	124	999	(3,239)	17,591	10,000
(1,200)	13	(1,187)	1,949	4,157	2,941
50	8	58	(209)	1,190	1,115
7,000	682	7,682	(19,963)	94,258	64,963
16,625	2,177	18,802	(57,998)	306,549	218,131
1,800	260	2,060	(6,735)	36,747	20,000
-	190	190	(3,612)	28,216	24,102
850	120	970	(3,132)	16,977	11,250
-	50	50	(947)	7,391	5,250
3,750	284	4,034	(9,140)	38,346	34,896
-	-	-	25,000	25,000	25,000
5,450	529	5,979	(15,508)	73,117	49,607
1,000	62	1,062	6,454	10,952	20,000
950	131	1,081	(3,433)	18,440	10,000
13,267	2,431	15,698	(59,480)	347,724	232,350
250	32	282	(863)	4,543	1,455

continued...

**ESCANABA AREA PUBLIC SCHOOLS**

**Schedule of Changes in Fiduciary Net Position (Unaudited)**

Co-mingled Scholarships Fund  
For the Year Ended June 30, 2022

	Net Position July 1, 2021	Additions				Total Additions
		Contributions	Interest and Dividends	Gain on Sale of Investments	Increase in Fair Value of Investments	
<b>Investment accounts</b>						
LaFave, Olive C.	\$ 45,798	\$ -	\$ 897	\$ 3,175	\$ (8,996)	\$ (4,924)
Lemerand, Clarence & Della	507,632	-	9,939	35,197	(99,717)	(54,581)
Lindstrom, James	5,936	-	116	412	(1,160)	(632)
Louis, Frank B. & Mamie A.	186,930	-	3,660	12,961	(36,720)	(20,099)
McCotter, Delores	2,210	-	43	153	(434)	(238)
McDermott, Thomas Memorial	72,524	-	1,420	5,028	(14,246)	(7,798)
McKie, Donald	35,841	-	702	2,485	(7,040)	(3,853)
McInerney, Dr. Thomas & Dr. Edna Memorial	99,001	-	1,938	6,864	(19,447)	(10,645)
Micensky, Robert	6,341	-	124	440	(1,246)	(682)
Milkiewicz, Stephen M.	7,466	-	146	518	(1,467)	(803)
Milkiewicz, Kim Ann	16,284	-	319	1,129	(3,199)	(1,751)
Molin, Jack and Class of 1944	51,153	-	1,002	3,547	(10,048)	(5,499)
Nordberg, Carl A.	21,887	-	429	1,518	(4,299)	(2,352)
O'Donnell, Anne C.	43,083	-	844	2,987	(8,463)	(4,632)
Olson, Joanne Taylor	16,608	-	325	1,151	(3,262)	(1,786)
Owen, Robert A. & Ruth	44,904	-	879	3,113	(8,821)	(4,829)
Owens, Georgia Gibbs/ Irwin & Marge Gibbs	330,758	-	6,476	22,933	(64,972)	(35,563)
Peterson, Ken	5,973	-	117	414	(1,173)	(642)
Pfotenhauer/Gessner	17,129	-	335	1,188	(3,365)	(1,842)
Puckelwartz, William H.	39,620	-	776	2,747	(7,783)	(4,260)
Reade, H.W.	32,181	-	630	2,231	(6,321)	(3,460)
Ruwitch, George	46,608	-	913	3,232	(9,155)	(5,010)
Sackerson, Helen A.	-	200,000	-	-	-	200,000
Salo, Christine	13,257	-	260	919	(2,604)	(1,425)
Saykly, Josephine	15,209	-	298	1,055	(2,988)	(1,635)
Schram, Dick Memorial	17,858	-	350	1,238	(3,508)	(1,920)
St. Louis, Maria, George & Stanley	505,335	-	9,894	35,038	(99,265)	(54,333)
St. Pierre, Mary	6,376	-	125	442	(1,252)	(685)
Stein, Daniel	65,363	-	1,280	4,532	(12,839)	(7,027)
Taylor, Francis & Nancy	167,325	-	3,276	11,602	(32,869)	(17,991)
Taylor, Al Family	173,349	-	3,394	12,019	(34,052)	(18,639)
Taylor, Naomi Memorial	84,821	-	1,661	5,881	(16,662)	(9,120)
Timmer, Gene	4,414	-	86	306	(867)	(475)
VanEffen, William J.	9,901	-	194	686	(1,945)	(1,065)
Wylie, Henry	5,235	-	103	363	(1,028)	(562)
Young, A.J.	32,870	-	644	2,279	(6,457)	(3,534)
	<u>5,218,370</u>	<u>240,050</u>	<u>102,175</u>	<u>361,818</u>	<u>(1,025,070)</u>	<u>(321,027)</u>
<b>Cash accounts</b>						
Wickman/Addison, Ruth	3,305	4,536	-	-	-	4,536
Felton, Oliver	887	6,158	-	-	-	6,158
Hirn, Robert & Elva	169,647	67,385	-	-	-	67,385
Kintziger, Louis J.	16,086	5,330	-	-	-	5,330
Maki, Arnie & Violet	(1,604)	10,310	-	-	-	10,310
Miscellaneous contributions	34,068	28,950	-	-	-	28,950
	<u>222,389</u>	<u>122,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,669</u>
<b>Total</b>	<u>\$ 5,440,759</u>	<u>\$ 362,719</u>	<u>\$ 102,175</u>	<u>\$ 361,818</u>	<u>\$ (1,025,070)</u>	<u>\$ (198,358)</u>

Deductions					
Scholarships and Trophies	Trustee Fees	Total Deductions	Change in Net Position	Net Position June 30, 2022	Accumulated Contributions to Fund
\$ -	\$ 273	\$ 273	\$ (5,197)	\$ 40,601	\$ 20,000
24,725	3,031	27,756	(82,337)	425,295	300,741
250	35	285	(917)	5,019	4,100
8,000	1,116	9,116	(29,215)	157,715	89,945
-	13	13	(251)	1,959	1,500
4,150	433	4,583	(12,381)	60,143	47,420
-	214	214	(4,067)	31,774	24,176
7,900	591	8,491	(19,136)	79,865	50,000
275	38	313	(995)	5,346	4,155
-	45	45	(848)	6,618	8,500
1,325	97	1,422	(3,173)	13,111	2,600
2,225	305	2,530	(8,029)	43,124	29,644
925	131	1,056	(3,408)	18,479	11,562
3,500	257	3,757	(8,389)	34,694	21,005
-	99	99	(1,885)	14,723	10,000
1,950	268	2,218	(7,047)	37,857	25,000
22,100	1,975	24,075	(59,638)	271,120	153,755
100	36	136	(778)	5,195	5,015
1,250	102	1,352	(3,194)	13,935	10,000
1,650	237	1,887	(6,147)	33,473	12,962
1,350	192	1,542	(5,002)	27,179	10,150
2,025	278	2,303	(7,313)	39,295	28,096
-	-	-	200,000	200,000	200,000
123	79	202	(1,627)	11,630	10,660
-	91	91	(1,726)	13,483	10,000
750	107	857	(2,777)	15,081	10,090
20,175	3,017	23,192	(77,525)	427,810	234,975
-	38	38	(723)	5,653	4,164
5,400	390	5,790	(12,817)	52,546	35,000
5,708	999	6,707	(24,698)	142,627	100,000
9,108	1,035	10,143	(28,782)	144,567	100,230
8,150	506	8,656	(17,776)	67,045	50,255
200	26	226	(701)	3,713	2,814
425	59	484	(1,549)	8,352	5,000
225	31	256	(818)	4,417	2,708
1,400	196	1,596	(5,130)	27,740	9,900
<u>243,670</u>	<u>31,196</u>	<u>274,866</u>	<u>(595,893)</u>	<u>4,622,477</u>	<u>3,192,416</u>
6,300	-	6,300	(1,764)	1,541	49,539
6,913	-	6,913	(755)	132	50,204
59,517	-	59,517	7,868	177,515	600,077
4,313	-	4,313	1,017	17,103	44,962
10,175	-	10,175	135	(1,469)	91,354
35,883	-	35,883	(6,933)	27,135	372,018
<u>123,101</u>	<u>-</u>	<u>123,101</u>	<u>(432)</u>	<u>221,957</u>	<u>1,208,154</u>
<u>\$ 366,771</u>	<u>\$ 31,196</u>	<u>\$ 397,967</u>	<u>\$ (596,325)</u>	<u>\$ 4,844,434</u>	<u>\$ 4,400,570</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 4, 2022

Board of Education  
Escanaba Area Public Schools  
Escanaba, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Escanaba Area Public Schools** (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 4, 2022, 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.

*Rehmann Johnson LLC*

**ESCANABA AREA PUBLIC SCHOOLS**

**Schedule of Expenditures of Federal Awards**  
For the Year Ended June 30, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster:				
Seamless Summer Option (SSO) - Breakfast	10.553	MDE	211971	\$ 50,407
Seamless Summer Option (SSO) - Breakfast	10.553	MDE	221971	409,478
Seamless Summer Option (SSO) - Lunch	10.555	MDE	211961	104,699
Seamless Summer Option (SSO) - Lunch	10.555	MDE	221961	732,846
Supply Chain Assistance	10.555	MDE	220910-2022	43,800
NSLP - Afterschool Snacks	10.555	MDE	221980	1,574
Emergency Operations - SNP Meals	10.555	MDE	211965	13,187
Entitlement commodities (non-cash)	10.555	MDE	-n/a-	77,208
Summer food service program - operating	10.559	MDE	210904	997,292
Summer food service program - extended	10.559	MDE	220900	13,117
Total Child Nutrition Cluster:				
COVID-19 - P-EBT Local Level Admin Cost Grant	10.649	MDE	210980	3,063
<b>Total U.S. Department of Agriculture</b>				
<b>U.S. Department of Education</b>				
Title I, Part A - Improving Basic Programs	84.010	MDE	211530-2021	576,856
Title I, Part A - Improving Basic Programs	84.010	MDE	221530-2122	584,217
Title I, Part A - Improving Basic Programs	84.010	GLAS	211530-2021	9,417
Title I, Part A - Improving Basic Programs	84.010	GLAS	221530-2022	9,644
Special Education Cluster:				
Special Education - Flowthrough - 2020	84.027	DSISD	200450-2122	32,437
Preschool Incentive	84.173A	DSISD	220460-2122	2,000
Indian Education	84.060A	Direct	-n/a-	38,734
Title V, Part B Rural and Low Income	84.358	MDE	210660-2021	60,395
Title V, Part B Rural and Low Income	84.358	MDE	220660-2122	43,724
Title II, Part A - Improving Teacher Quality	84.367	MDE	210520-2021	195,641
Title II, Part A - Improving Teacher Quality	84.367	MDE	220520-2122	191,350
Title IV, Part A - SSAE	84.424	MDE	210750-2021	43,342
Title IV, Part A - SSAE	84.424	MDE	220750-2122	40,387

Accrued (Unearned) Revenue June 30, 2021	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2022	Accrued (Unearned) Revenue June 30, 2022
\$ -	\$ 50,407	\$ -	\$ 50,407	\$ -
-	395,199	-	409,478	14,279
-	445,606	-	459,885	14,279
-	104,699	-	104,699	-
-	712,753	-	732,846	20,093
-	43,800	-	43,800	-
-	1,574	-	1,574	-
-	13,187	-	13,187	-
-	77,208	-	77,208	-
-	953,221	-	973,314	20,093
38,397	60,543	975,146	22,146	-
-	-	-	13,117	13,117
38,397	60,543	975,146	35,263	13,117
38,397	1,459,370	975,146	1,468,462	47,489
-	3,063	-	3,063	-
38,397	1,462,433	975,146	1,471,525	47,489
253,511	254,515	540,147	1,004	-
-	416,766	-	519,156	102,390
9,417	9,417	9,417	-	-
-	9,644	-	9,644	-
262,928	690,342	549,564	529,804	102,390
-	30,437	-	30,437	-
-	2,000	-	2,000	-
-	32,437	-	32,437	-
-	38,734	-	38,734	-
-	3,177	-	3,177	-
-	-	-	15,195	15,195
-	3,177	-	18,372	15,195
66,102	73,806	105,228	7,704	-
-	123,470	-	129,855	6,385
66,102	197,276	105,228	137,559	6,385
26,581	26,581	43,342	-	-
-	-	-	40,387	40,387
26,581	26,581	43,342	40,387	40,387

continued...

**ESCANABA AREA PUBLIC SCHOOLS**

**Schedule of Expenditures of Federal Awards**  
For the Year Ended June 30, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
<b>U.S. Department of Education (Concluded)</b>				
COVID-19 - Education Stabilization Fund (ESF):				
GEER	84.425C	MDE	201200-2021	\$ 137,202
GEER II - Teacher & Support Staff Payments	84.425C	MDE	211202-2122	44,250
ESSER Formula	84.425D	MDE	203710-1920	486,334
ESSER II	84.425D	MDE	213712-2021	1,745,859
ESSER II - Summer Programming	84.425D	MDE	213722-2122	159,500
ESSER II - Credit Recovery	84.425D	MDE	213742-2122	93,500
ESSER II - Benchmark Assessments	84.425D	MDE	213762-2022	16,913
ESSER III	84.425U	MDE	213713-2122	3,923,740
<b>Total U.S. Department of Education</b>				
<b>U.S. Department of Health and Human Services</b>				
Medicaid Cluster:				
Medicaid Outreach	93.778	DSISD	-n/a-	8,883
<b>Total Federal Financial Assistance</b>				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2021	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2022	Accrued (Unearned) Revenue June 30, 2022
\$ 8,950	\$ 11,043	\$ 135,109	\$ 2,093	\$ -
-	44,250	-	44,250	-
236,900	240,158	483,076	3,258	-
-	1,651,726	-	1,722,240	70,514
-	146,450	-	159,500	13,050
-	71,354	-	79,035	7,681
-	-	-	15,707	15,707
-	927,274	-	1,818,902	891,628
<u>245,850</u>	<u>3,092,255</u>	<u>618,185</u>	<u>3,844,985</u>	<u>998,580</u>
<u>601,461</u>	<u>4,080,802</u>	<u>1,316,319</u>	<u>4,642,278</u>	<u>1,162,937</u>
-	8,883	-	8,883	-
<u>\$ 639,858</u>	<u>\$ 5,552,118</u>	<u>\$ 2,291,465</u>	<u>\$ 6,122,686</u>	<u>\$ 1,210,426</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, 2022. 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 or other applicable 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 4, 2022

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, each major fund, and the aggregate remaining fund information of ***Escanaba Area Public Schools*** (the "District"), as of and for the year ended June 30, 2022, 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 4, 2022.

**Report on 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 or significant deficiencies may exist that have not been identified.

## **Report on 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 "Rehmann Robson LLC". The signature is written in a cursive, flowing style.

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

October 4, 2022

Board of Education  
Escanaba Area Public Schools  
Escanaba, Michigan

### Report on Compliance for Each Major Federal Program

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

We have audited the compliance of **Escanaba Area Public Schools** (the "District") with the types of compliance requirements identified as subject to audit 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, 2022. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Independent Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

### ***Purpose of this Report***

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

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

# ESCANABA AREA PUBLIC SCHOOLS

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?            yes       X       no

Significant deficiency(ies) identified?            yes       X       none reported

Noncompliance material to financial statements noted?            yes       X       no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?            yes       X       no

Significant deficiency(ies) identified?            yes       X       none reported

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

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

Identification of a major program:

#### Assistance Listing Number

#### Name of Federal Program or Cluster

84.425

COVID-19 - Education Stabilization Fund

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, 2022

### 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, 2022

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.



# ESCANABA AREA PUBLIC SCHOOLS

## Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2022

No matters were reported.

