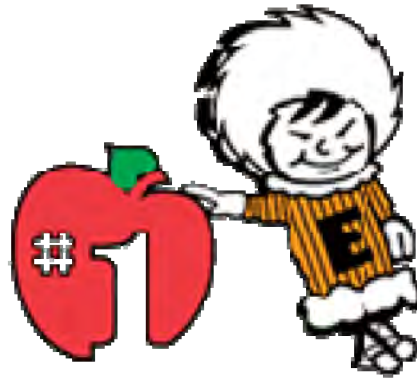


Escanaba Area
Public Schools



Year Ended
June 30, 2023

Financial
Statements
and
Single Audit Act
Compliance

Rehmann

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ESCANABA AREA PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

September 29, 2023

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, the major fund, and the aggregate remaining fund information of **Escanaba Area Public Schools** (the "District"), as of and for the year ended June 30, 2023, 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, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, 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 September 29, 2023, 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 black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

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, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Using this Annual Report

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

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

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

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

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

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.

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 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	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

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, 2023, the District reported a deficit net position of \$15,431,083. The table below provides a summary of the District's net position as of June 30:

	Net Position		
	Governmental Activities		Percent Change
	2023	2022	
Assets			
Current and other assets	\$ 13,800,435	\$ 11,436,202	20.7%
Capital assets, net	32,947,030	31,092,566	6.0%
Total assets	46,747,465	42,528,768	9.9%
Deferred outflows of resources	17,752,851	9,255,290	91.8%
Liabilities			
Other liabilities	6,542,547	4,642,107	40.9%
Long-term liabilities	16,196,048	16,943,707	-4.4%
Net pension and OPEB liabilities	49,725,452	31,937,747	55.7%
Total liabilities	72,464,047	53,523,561	35.4%
Deferred inflows of resources	7,467,352	19,654,724	-62.0%

continued...

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

	Net Position		
	Governmental Activities		Percent Change
	2023	2022	
Net position			
Net investment in capital assets	\$ 18,723,510	\$ 16,065,185	16.5%
Restricted for:			
Debt service	277,128	399,788	-30.7%
Food service	695,339	652,275	6.6%
Unrestricted (deficit)	<u>(35,127,060)</u>	<u>(38,511,475)</u>	<u>-8.8%</u>
Total net position (deficit)	<u>\$ (15,431,083)</u>	<u>\$ (21,394,227)</u>	<u>27.9%</u>

concluded

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 \$55,288,000 and \$52,221,000 for June 30, 2023 and 2022, 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 \$22,341,000 and \$21,128,000 for the years ended June 30, 2023 and 2022, respectively. Total outstanding debt related to capital assets is approximately \$14,089,000 and \$14,809,000 at 2023 and 2022, 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 \$695,000 and \$277,000, respectively for 2023, and approximately \$652,000 and \$400,000, respectively for 2022.

The remaining amount of net position, a deficit of approximately \$35,127,000 and \$38,511,000 for 2023 and 2022, 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.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

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
	2023	2022	
Program revenues			
Charges for services - local	\$ 620,966	\$ 533,040	16.5%
Operating grants - federal, state, and local	10,910,668	11,360,458	-4.0%
Total program revenues	11,531,634	11,893,498	-3.0%
General revenues			
Property taxes - operations	4,163,090	4,023,293	3.5%
Property taxes - debt retirement	1,877,291	2,016,770	-6.9%
State of Michigan aid - unrestricted	15,854,227	14,648,418	8.2%
Other revenues	627,874	206,143	204.6%
Total general revenues	22,522,482	20,894,624	7.8%
Total revenues	34,054,116	32,788,122	3.9%
Expenses			
Instruction	15,538,430	14,099,734	10.2%
Supporting services	8,761,895	7,385,467	18.6%
Community services	84,474	78,921	7.0%
Food services	1,396,899	1,140,033	22.5%
Student activities	364,150	342,989	6.2%
Public improvement	-	12,763	-100.0%
Interest on long-term debt	726,374	652,918	11.3%
Unallocated depreciation	1,218,750	1,115,252	9.3%
Total expenses	28,090,972	24,828,077	13.1%
Change in net position	5,963,144	7,960,045	-25.1%
Net position (deficit):			
Beginning of year	(21,394,227)	(29,354,272)	27.1%
End of year	\$(15,431,083)	\$(21,394,227)	27.9%

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Operating grants - federal, state, and local revenues accounted for 32% or approximately \$10,911,000 of the revenue available. The main reason for the decrease over the prior year was due to the utilization of less federal funding as pandemic relief grants near their expiration.

Unrestricted state aid revenue accounted for 47% or approximately \$15,854,000 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. Even though the District experienced a decline in student enrollment, state aid revenue increased as a result of a \$450 per-pupil increase in the foundation allowance.

Property tax revenues accounted for 18% or approximately \$6,040,000 of the total revenue. Of the total property tax revenues reported, approximately \$4,163,000 was allocated to operations and approximately \$1,877,000 was allocated to debt retirement. Property tax revenue remained consistent overall with the prior year level.

The expense portion of the table shows the financial support of each functional area required during the year. Expenses increased from the prior fiscal year by approximately \$3,263,000. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$15,538,000 or 55% of total expenses. Support services costs are approximately \$8,762,000 or 31% of total expenses, which include such items as transportation, maintenance, security, supervision, counseling, athletics, and a variety of similar services that support the District's mission of educating children. The main reasons for the increase in overall expenses was due to raises in wages and benefits, and increased retirement expense relating to the MPSERS One-Time Deposit funding by the State.

Major Governmental Fund Budgeting and Operating Highlights

The District's Funds

The overall fund balance of the governmental funds increased by approximately \$469,000 from the prior year. The general fund balance increased by approximately \$1,226,000, and the nonmajor governmental funds decreased approximately \$756,000. The general fund increase related mainly to the utilization of ESSER III funds in place of unrestricted state aid funds in the amount of approximately \$1.65 million. The nonmajor governmental funds decrease related mainly to the decline in the Public Improvement Fund balance in the amount of approximately \$834,000. The decline was a result of the completion of various major construction projects consisting of the upper elementary site improvement, high school tennis courts, and high school west parking lot.

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.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

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 \$2,642,000, or 14% over the course of the school year. The main reason for this increase is a result of categorical state funding levels becoming known subsequent to the adoption of the district's original adopted budget. This included the MPSERS One-Time Deposit 147a(2) funding in the amount of approximately \$1.23 million, an increase in MPSERS UAAL Rate Stabilization 147c(1) in the amount of approximately \$144,000, and an increase in At-Risk 31a in the amount of approximately \$183,000. The District also experienced less of a decline in student enrollment by approximately 39 students compared to original budget assumptions resulting in an increase of unrestricted state revenue in approximately \$357,000.

Revenue from local sources - This category's budget was increased by approximately \$438,000, or 10% over the course of the school year. The main reason for this increase was due to an increase in interest earnings on cash and investments as a result of rising interest rates, an increase in property taxes as a result of taxable values, and the receipting of e-rate and device recycling proceeds in the General Fund.

Basic instruction expenditures - This budget for these costs was increased by approximately \$1,294,000, or 10%, over the course of the school year. The main reason for the increase in the budget was due to costs associated with the MPSERS One-Time Deposit funding in the amount of approximately \$1.23 million.

Added needs expenditures - This budget for these costs was increased by approximately \$345,000, or 10%, over the course of the school year. The main reason for the increase in the budget was due to the allocation of increased At-Risk 31a funding to address costs associated with added needs in an amount of approximately \$331,000.

Business services expenditures - This budget for these costs was increased by approximately \$248,000, or 50%, over the course of the school year. The main reason for the increase in the budget was due to the payback of property taxes as a result of tax tribunal court decisions in the amount of approximately \$248,000.

Transfers out - This budget for interfund transfers out was increased by approximately \$708,000 over the course of the school year. The main reasons for this increase was a series of transfers to the Public Improvement Fund for future projects identified and approved by the board. The most significant projects consisted of the Webster School Boiler Replacement, Lemmer School Chiller, and the Igloo Mechanical and Siding Projects amounting to approximately \$680,000. In addition, an interfund transfer to the 2022 Energy Bonds fund for the interest payment relating to the 2022 Energy Conservation Improvement Bonds.

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

Revenue from federal source - This category came in approximately \$118,000 under the final amended budget. The main reason for this variance is federal funds not utilized in the current year, to be carried forward into fiscal year 2024 for use.

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 \$175,000. The main reason for this variance was a conservative approach to budgeting, providing the District the ability to accommodate unforeseen costs that may arise so not to disrupt school education.

Added needs expenditures - The actual costs for this category came in under the final amended budget by approximately \$196,000. The main reason for this variance was due to At-Risk 31a funding not being fully utilized in the amount of \$153,000 during the current year, to be carried into fiscal year 2024 for use.

Operations and maintenance expenditures - The actual costs for this category came in under the final amended budget by approximately \$178,000. The main reason for this variance was due to a conservative approach to budgeting to ensure funds were available to cover unexpected repair and maintenance costs until fiscal year end.

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)
2022-2023	29,636,682	28,411,099	5,208,817	2,112	(35)

In general fund operations, the total revenue was approximately \$29,637,000. This is above the original budgeted revenues of approximately \$26,556,000 and below the final amended budgeted revenues of approximately \$29,713,000. The actual expenditures of the general fund operations were approximately \$27,704,000. This is above the original budgeted expenditures of approximately \$26,551,000 and below the final budget of approximately \$28,694,000.

The main reasons for total revenues exceeding originally budgeted revenue is due to the timing of the district's fiscal budget being adopted prior to the state aid budget. As state funding becomes known, the District amends the budget where necessary. Actual expenditures were greater than originally budgeted mainly due to the timing of the District budget adoption versus the state aid budget. As state aid funding becomes known, costs associated with state grants are budgeted in subsequent budget amendments, and were below the final budgeted expenditures as a result of a conservative approach to budgeting, providing the District the ability to react to unanticipated costs that may arise so not to disrupt school operations.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

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	\$ 27,704,054	79.7%
Nonmajor governmental funds	7,103,102	20.4%
Total	\$ 34,807,156	100%

Governmental fund revenues totaled approximately \$34,054,000. Below is a summary of the governmental fund revenues by source and their percentages of total governmental funds:

	Revenues	Percentage
Local sources	\$ 7,439,588	21.8%
State sources	22,310,022	65.5%
Federal sources	3,898,951	11.4%
Other	405,556	1.2%
Total	\$ 34,054,117	100%

Unrestricted State Aid

The District is predominately funded by State aid based on a blended count formula that the State of Michigan utilizes. State aid membership counts were 2,112 and 2,147 for fiscal 2023 and 2022, respectively. The District experienced an overall increase in state funding of approximately \$2,972,000, mainly due to the MPSERS One-Time Deposit categorical state funding in the amount of approximately \$1.23 million, a \$450 per-pupil foundation allowance amounting to approximately \$951,000, and various state aid prior year adjustments to state revenue in an amount of approximately \$591,000. In addition, several newly established state grants addressing student safety.

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 2023 non-homestead and personal property tax levies totaled approximately \$4,163,000.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

The District levied 3.20 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 2023 was approximately \$1,877,000.

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 2023, the District expended approximately \$642,000, \$98,000 and \$1,157,000 for the Title I, Title II and At Risk programs, respectively. In addition the District expended approximately \$1,323,000 of funding received from the U.S. Department of Agriculture to support the District's food service program.

Enrollment

The District's 2022-2023 blended enrollment totaled 2,112, which is a decrease of 35 students from the previous year. Escanaba Area Public Schools is located in Michigan's Upper Peninsula and is the second largest district in Michigan's upper peninsula.

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

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

Capital Assets and Debt Administration

Capital Assets. At June 30, 2023, the District had approximately \$55,288,000 invested in land and building, machinery and equipment, vehicles and buses. Approximately \$22,341,000 has been depreciated. Net book value totals approximately \$32,947,000. The years of construction of the District buildings and improvements ranges from 1931 to 2023. The District currently owns one kindergarten center, one secondary campus, and two elementary buildings.

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, 2023, the District expended approximately \$3,073,000 for capital asset additions including approximately \$2,789,000 for buildings and improvements, \$155,000 for machinery and equipment, and \$130,000 for vehicles and buses.

Debt Administration. As of June 30, 2023, the District had approximately \$14,701,000 in bonds and bond premium outstanding from capital projects and approximately \$74,000 in installment purchase agreements outstanding. In addition, the District has approximately \$1,421,000 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.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the District's 2024 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 2022-2023, the blended count decreased to 2,112 students. Enrollment is also expected to decline into the 2023-2024 school year as the Upper Peninsula of Michigan's employment opportunities continue to be limited. The 2023-2024 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 2024 budget. The Board of Education adopted a balanced budget for the fiscal year 2023-2024. 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, 2023

	Governmental Activities
Assets	
Cash and investments	\$ 9,507,958
Receivables	4,253,330
Inventory	39,147
Capital assets not being depreciated	720,597
Capital assets being depreciated, net	<u>32,226,433</u>
Total assets	<u>46,747,465</u>
Deferred outflows of resources	
Deferred charge on bond refunding	422,016
Deferred pension amounts	13,865,833
Deferred other postemployment benefit amounts	<u>3,465,002</u>
Total deferred outflows of resources	<u>17,752,851</u>
Liabilities	
Accounts payable and accrued liabilities	3,480,986
Unearned revenue	767,384
State aid anticipation notes payable	2,294,177
Bonds, notes and other long-term liabilities:	
Due within one year	2,160,416
Due in more than one year	14,035,632
Net pension liability (due in more than one year)	46,896,595
Net other postemployment benefit liability (due in more than one year)	<u>2,828,857</u>
Total liabilities	<u>72,464,047</u>
Deferred inflows of resources	
Deferred pension amounts	1,548,773
Deferred other postemployment benefit amounts	<u>5,918,579</u>
Total deferred inflows of resources	<u>7,467,352</u>
Net position	
Net investment in capital assets	18,723,510
Restricted for:	
Debt service	277,128
Food service	695,339
Unrestricted (deficit)	<u>(35,127,060)</u>
Total net position (deficit)	<u>\$ (15,431,083)</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, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 15,538,430	\$ -	\$ 9,380,010	\$ (6,158,420)
Supporting services	8,761,895	111,137	157,433	(8,493,325)
Community services	84,474	-	-	(84,474)
Food services	1,396,899	123,060	1,373,225	99,386
Student activities	364,150	386,769	-	22,619
Interest on long-term debt	726,374	-	-	(726,374)
Unallocated depreciation	1,218,750	-	-	(1,218,750)
Total governmental activities	<u>\$ 28,090,972</u>	<u>\$ 620,966</u>	<u>\$ 10,910,668</u>	<u>(16,559,338)</u>
General revenues				
Property taxes - operations				4,163,090
Property taxes - debt service				1,877,291
State of Michigan aid - unrestricted				15,854,227
Other revenues				627,874
Total general revenues				<u>22,522,482</u>
Change in net position				5,963,144
Net position, beginning of year				<u>(21,394,227)</u>
Net position, end of year				<u>\$ (15,431,083)</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, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 7,094,879	\$ 2,413,079	\$ 9,507,958
Accounts receivable	108,277	2,578	110,855
Due from other funds	-	371	371
Due from other governments	4,125,780	16,695	4,142,475
Inventory	1,426	37,721	39,147
Total assets	\$ 11,330,362	\$ 2,470,444	\$ 13,800,806
Liabilities			
Accounts payable	\$ 62,914	\$ 253,878	\$ 316,792
Salaries payable	1,371,892	-	1,371,892
Accrued liabilities	1,660,111	28,749	1,688,860
Due to other funds	371	-	371
Unearned revenues	732,080	35,304	767,384
State aid anticipation notes payable	2,294,177	-	2,294,177
Total liabilities	6,121,545	317,931	6,439,476
Fund balances			
Nonspendable for inventories	1,426	37,721	39,147
Restricted:			
Capital projects	-	129,213	129,213
Debt service	-	380,570	380,570
Food service	-	657,618	657,618
Committed:			
Student groups	-	318,526	318,526
Assigned:			
Capital projects	-	628,865	628,865
Unassigned	5,207,391	-	5,207,391
Total fund balances	5,208,817	2,152,513	7,361,330
Total liabilities and fund balances	\$ 11,330,362	\$ 2,470,444	\$ 13,800,806

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, 2023

Fund balances - total governmental funds	\$ 7,361,330
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	
Capital assets not being depreciated	720,597
Capital assets being depreciated, net	32,226,433
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds, notes and other long-term liabilities	(14,774,749)
Unamortized deferred charge on bond refunding	422,016
Accrued interest on bonds payable	(103,442)
Compensated absences and early retirement incentives payable	(1,421,299)
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	(46,896,595)
Deferred outflows of resources related to the net pension liability	13,865,833
Deferred inflows of resources related to the net pension liability	(1,548,773)
Net other postemployment benefit liability	(2,828,857)
Deferred outflows related to the net other postemployment benefit liability	3,465,002
Deferred inflows related to the net other postemployment benefit liability	(5,918,579)
Net position of governmental activities	<u>\$ (15,431,083)</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, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 4,759,421	\$ 2,680,167	\$ 7,439,588
State sources	21,895,302	414,720	22,310,022
Federal sources	2,576,403	1,322,548	3,898,951
Other sources	405,556	-	405,556
Total revenues	29,636,682	4,417,435	34,054,117
Expenditures			
Current:			
Instructional services:			
Basic instruction	13,984,918	-	13,984,918
Added needs	3,771,750	-	3,771,750
Supporting services:			
Pupil services	2,014,861	-	2,014,861
Instructional staff	956,489	-	956,489
General administration	467,951	-	467,951
School administration	1,351,691	-	1,351,691
Business services	725,202	-	725,202
Operations and maintenance	1,945,637	-	1,945,637
Transportation	1,415,537	-	1,415,537
Central services	57,679	-	57,679
Athletics	549,033	-	549,033
Community services	91,552	-	91,552
Food services	-	1,461,620	1,461,620
Student activities	-	364,150	364,150
Debt service:			
Principal	74,816	1,795,000	1,869,816
Interest and fiscal charges	3,571	667,785	671,356
Capital outlay	293,367	2,814,547	3,107,914
Total expenditures	27,704,054	7,103,102	34,807,156
Revenues over (under) expenditures	1,932,628	(2,685,667)	(753,039)
Other financing sources (uses)			
Transfers in	-	3,086,595	3,086,595
Transfers out	(707,045)	(2,379,550)	(3,086,595)
Issuance of long-term debt	-	1,150,000	1,150,000
Premium on issuance of long-term debt	-	72,490	72,490
Total other financing sources (uses)	(707,045)	1,929,535	1,222,490
Net changes in fund balances	1,225,583	(756,132)	469,451
Fund balances, beginning of year	3,983,234	2,908,645	6,891,879
Fund balances, end of year	\$ 5,208,817	\$ 2,152,513	\$ 7,361,330

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, 2023

Net change in fund balances - total governmental funds \$ 469,451

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	3,073,214
Depreciation expense	(1,218,750)

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 bonds, notes and other long-term liabilities	1,869,816
Proceeds from issuance of long-term debt	(1,150,000)
Premium on issuance of long-term debt	(72,490)
Amortization of bond premium, deferred charge on bond refunding, and change in accrued interest	21,664

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	12,724
Change in net pension liability and related deferred amounts	761,875
Change in the net other postemployment benefit liability and related deferred amounts	<u>2,195,640</u>

Change in net position of governmental activities \$ 5,963,144

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 4,280,891	\$ 4,719,106	\$ 4,759,421	\$ 40,315
State sources	19,253,103	21,895,166	21,895,302	136
Federal sources	2,679,885	2,694,370	2,576,403	(117,967)
Other sources	342,165	404,813	405,556	743
Total revenues	<u>26,556,044</u>	<u>29,713,455</u>	<u>29,636,682</u>	<u>(76,773)</u>
Expenditures				
Current:				
Instructional services:				
Basic instruction	12,865,798	14,159,480	13,984,918	(174,562)
Added needs	3,622,397	3,967,402	3,771,750	(195,652)
Supporting services:				
Pupil services	2,132,673	2,096,862	2,014,861	(82,001)
Instructional staff	978,537	1,062,306	956,489	(105,817)
General administration	439,550	501,353	467,951	(33,402)
School administration	1,363,403	1,393,912	1,351,691	(42,221)
Business services	493,639	742,135	725,202	(16,933)
Operations and maintenance	2,084,562	2,123,967	1,945,637	(178,330)
Transportation	1,416,555	1,486,454	1,415,537	(70,917)
Central services	90,696	88,315	57,679	(30,636)
Athletics	539,357	580,555	549,033	(31,522)
Community services	99,285	104,556	91,552	(13,004)
Debt service:				
Principal	74,817	74,817	74,816	(1)
Interest and fiscal charges	3,571	3,571	3,571	-
Capital outlay	345,775	307,848	293,367	(14,481)
Total expenditures	<u>26,550,615</u>	<u>28,693,533</u>	<u>27,704,054</u>	<u>(989,479)</u>
Revenues over expenditures	5,429	1,019,922	1,932,628	912,706
Other financing uses				
Transfers out	-	(708,488)	(707,045)	(1,443)
Net change in fund balance	5,429	311,434	1,225,583	914,149
Fund balance, beginning of year	3,983,234	3,983,234	3,983,234	-
Fund balance, end of year	<u>\$ 3,988,663</u>	<u>\$ 4,294,668</u>	<u>\$ 5,208,817</u>	<u>\$ 914,149</u>

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, 2023

Assets

Cash and cash equivalents	\$ 719,255
Interest receivable	5,203
Investments - at fair value:	
Common stocks	3,921,577
Mutual funds	2,222,081
Bonds	<u>384,440</u>
Net position restricted for scholarships	<u><u>\$ 7,252,556</u></u>

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the Year Ended June 30, 2023

Additions

Contributions	\$ 273,949
Investment income:	
Interest and dividends	151,687
Net increase in fair value of investments	471,810
Total investment income	<u>623,497</u>
Total additions	<u>897,446</u>
Deductions	
Scholarships and trophies	423,261
Trustee fees	41,446
Total deductions	<u>464,707</u>
Change in net position	432,739
Net position, beginning of year	<u>6,819,817</u>
Net position, end of year	<u><u>\$ 7,252,556</u></u>

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

NOTES TO FINANCIAL STATEMENTS

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2023.

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 fund:

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.

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

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

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

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

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

Deposits and Investments

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

Investments are reported at fair value.

Receivables and Payables

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). There were no interfund advances outstanding at June 30, 2023.

Inventory

Inventories consist of expendable supplies held for sale or consumption and are valued at cost (first-in, first-out). The cost is recorded as an expenditure when consumed or sold rather than when purchased. Reported inventories 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, 2023 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 2022 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 74% of the District's general fund revenue during the 2023 fiscal year.

3. DEFICIT NET POSITION

Governmental activities reported a deficit in unrestricted net position in the amount of \$35,127,060 at June 30, 2023. Total net position amounted to a deficit of \$15,431,083.

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, 2023, the District did not incur expenditures in excess of the amounts appropriated.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

5. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2023:

	Totals
Statement of Net Position	
Cash and investments	\$ 9,507,958
Statement of Fiduciary Net Position	
Private Purpose Trusts:	
Cash and cash equivalents	719,255
Investments	<u>6,528,098</u>
Total	<u>\$ 16,755,311</u>
Deposits and Investments	
Bank deposits (checking accounts, savings accounts)	<u>\$ 4,440,914</u>
Investments in securities and mutual funds:	
Pooled investments	5,702,794
Common stocks	3,921,576
Mutual funds	1,153,052
Bonds	<u>1,536,475</u>
Total investments in securities and mutual funds	<u>12,313,897</u>
Cash on hand	<u>500</u>
Total	<u>\$ 16,755,311</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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

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

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

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$4,114,955 of the District's bank balance of \$4,396,141 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, 2023, the District had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 5,702,794	AAAm (S&P)
Common stocks	N/A	3,921,576	N/A
Mutual funds	N/A	1,153,052	N/A
Bonds	N/A	<u>1,536,475</u>	N/A
Total		<u>\$ 12,313,897</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, 2023:

Investment Type	Level 1	Level 2	Level 3	Total
Common stocks	\$ 3,921,576	\$ -	\$ -	\$ 3,921,576
Mutual funds	1,153,052	-	-	1,153,052
Bonds	-	1,536,475	-	1,536,475
Total	<u>\$ 5,074,628</u>	<u>\$ 1,536,475</u>	<u>\$ -</u>	6,611,103
Investments carried at net asset value:				
Michigan CLASS government investment pool				<u>5,702,794</u>
Total investments at fair value				<u><u>\$ 12,313,897</u></u>

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

At year end, the net asset value of the District's investment in Michigan CLASS was \$5,702,794. 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, 2023 are comprised of the following:

	Amount
Accounts receivable	\$ 110,855
Due from other governments	<u>4,142,475</u>
	<u>\$ 4,253,330</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2023, are comprised of the following:

	Amount
Accounts payable	\$ 316,792
Salaries payable	1,371,892
Accrued liabilities	1,688,860
Accrued Interest on long-term debt	<u>103,442</u>
Total accounts payable and accrued liabilities	<u><u>\$ 3,480,986</u></u>

8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The District reports interfund balances between certain funds. These interfund balances resulted primarily from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. As of June 30, 2023, the food service fund had an outstanding receivable from the general fund of \$371.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2023, interfund transfers consisted of the following:

Transfers Out	Transfers In	
	Nonmajor governmental funds	Total
General fund	\$ 707,045	707,045
Nonmajor governmental funds	2,379,550	2,379,550
Total	\$ 3,086,595	\$ 3,086,595

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

9. CAPITAL ASSETS

Capital assets activity was as follows for the year ended June 30, 2023:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 720,597	\$ -	\$ -	\$ 720,597
Capital assets, being depreciated:				
Buildings and improvements	47,088,403	2,788,876	-	49,877,279
Machinery and equipment	2,455,543	154,593	(6,373)	2,603,763
Vehicles and buses	1,956,469	129,745	-	2,086,214
	<u>51,500,415</u>	<u>3,073,214</u>	<u>(6,373)</u>	<u>54,567,256</u>
Less accumulated depreciation for:				
Buildings and improvements	(18,205,280)	(939,736)	-	(19,145,016)
Machinery and equipment	(1,389,337)	(180,067)	6,373	(1,563,031)
Vehicles and buses	(1,533,829)	(98,947)	-	(1,632,776)
	<u>(21,128,446)</u>	<u>(1,218,750)</u>	<u>6,373</u>	<u>(22,340,823)</u>
Total capital assets being depreciated, net	<u>30,371,969</u>	<u>1,854,464</u>	<u>-</u>	<u>32,226,433</u>
Governmental activities capital assets, net	\$ 31,092,566	\$ 1,854,464	\$ -	\$ 32,947,030

Depreciation expense of \$1,218,750 is reported as unallocated in the statement of activities.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

10. STATE AID ANTICIPATION NOTES PAYABLE

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

Short-term debt activity related to these notes for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
State aid anticipation notes payable	\$ 1,952,313	\$ 3,250,000	\$ (2,908,136)	\$ 2,294,177

The balance at June 30, 2023 includes accrued interest of \$44,177.

The notes which carry an interest rate of 1.97% and 1.99%, are repaid annually as a reduction of state aid with the remaining outstanding balance repaid in July and August.

11. BONDS, NOTES AND OTHER LONG-TERM LIABILITIES

Bond, notes and other long-term liabilities activity of the District consists of the following at June 30, 2023:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
Governmental activities					
General obligation bonds	\$ 14,660,000	\$ 1,150,000	\$ (1,795,000)	\$ 14,015,000	\$ 1,930,000
Notes from direct borrowings and direct placements	148,815	-	(74,816)	73,999	36,532
	<u>14,808,815</u>	<u>1,150,000</u>	<u>(1,869,816)</u>	<u>14,088,999</u>	<u>1,966,532</u>
Bond premium	700,869	72,490	(87,609)	685,750	94,858
Early retirement incentives and compensated absences	1,434,023	160,726	(173,450)	1,421,299	99,026
	<u>1,434,023</u>	<u>160,726</u>	<u>(173,450)</u>	<u>1,421,299</u>	<u>99,026</u>
Total long-term liabilities	<u>\$ 16,943,707</u>	<u>\$ 1,383,216</u>	<u>\$ (2,130,875)</u>	<u>\$ 16,196,048</u>	<u>\$ 2,160,416</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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, 2023, 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%.

\$ 12,865,000

\$1,150,000, 2022 energy conservation improvement limited tax bonds, due in annual installments ranging from \$90,000 to \$145,000 with final payment due May 1, 2033. Interest is paid semi-annually at 5.00%.

1,150,000

Total general obligation bonds

14,015,000

Premium on bonds

685,750

Total

14,700,750

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Notes from direct borrowings and direct placements

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

\$ 73,999

Total 14,774,749

Early retirement incentives and compensated absences 1,421,299

Total long-term liabilities \$ 16,196,048

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, 2023, 40 retirees were receiving or eligible to begin receiving the early retirement incentive, with \$68,400 being paid to these individuals during 2022-2023. The total early retirement incentive liability at June 30, 2023 was \$205,500.

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, 2023 was \$1,215,799.

The estimated debt service requirements on bonded debt for principal and interest to maturity as of June 30, 2023 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2024	\$ 1,930,000	\$ 549,550	\$ 2,479,550
2025	1,950,000	452,925	2,402,925
2026	1,955,000	373,850	2,328,850
2027	1,960,000	294,525	2,254,525
2028	1,950,000	214,950	2,164,950
2029-2033	<u>4,270,000</u>	<u>265,400</u>	<u>4,535,400</u>
Total	<u><u>\$ 14,015,000</u></u>	<u><u>\$ 2,151,200</u></u>	<u><u>\$ 16,166,200</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, 2023 are as follows:

Year Ending June 30,	Installment Purchase Agreements		
	Principal	Interest	Total
2024	\$ 36,532	\$ 959	\$ 37,491
2025	37,467	959	38,426
Total	<u>\$ 73,999</u>	<u>\$ 1,918</u>	<u>\$ 75,917</u>

The debt service requirements for accrued compensated absences are dependent upon future employee retirements and terminations. Thus, future payments are unknown at June 30, 2023. Compensated absences and early retirement incentives are generally liquidated by the general fund.

12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

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

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

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Pension Benefits Provided

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

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

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

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, 2021 valuation will be amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	20.14% - 20.16%
Member Investment Plan (MIP)	3.00% - 7.00%	20.14% - 20.16%
Pension Plus	3.00% - 6.40%	17.22% - 17.24%
Pension Plus 2	6.20%	19.93% - 19.95%
Defined Contribution	0.00%	13.73% - 13.75%

For the year ended June 30, 2023, required and actual contributions from the District to the pension plan were \$4,251,661, which included \$2,118,289, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate. In addition, the District had additional contributions of \$1,233,666, which was a one-time, state payment toward the MPSERS unfunded liability.

The table below summarizes OPEB contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.07% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.21% - 7.23%

For the year ended June 30, 2023, required and actual contributions from the District to the OPEB plan were \$1,039,406.

The table below summarizes defined contribution rates in effect for fiscal year 2023:

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

For the year ended June 30, 2023, required and actual contributions from the District for those members with a defined contribution benefit were \$340,514.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

At June 30, 2023, the District reported a liability of \$46,896,595 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the District's proportion was 0.12470%, which was a decrease of 0.00129% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$4,807,331. At June 30, 2023, 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	\$ 469,130	\$ 104,856	\$ 364,274
Changes in assumptions	8,058,515	-	8,058,515
Net difference between projected and actual earnings on pension plan investments	109,973	-	109,973
Changes in propor. on and differences between employer contributions and proportionate share of contributions	1,177	1,443,917	(1,442,740)
	<u>8,638,795</u>	<u>1,548,773</u>	<u>7,090,022</u>
District contributions subsequent to the measurement date	5,227,038	-	5,227,038
	<u>5,227,038</u>	<u>-</u>	<u>5,227,038</u>
Total	<u>\$ 13,865,833</u>	<u>\$ 1,548,773</u>	<u>\$ 12,317,060</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The amount reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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
2024	\$ 1,720,665
2025	1,345,731
2026	1,364,629
2027	<u>2,658,997</u>
Total	<u><u>\$ 7,090,022</u></u>

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

At June 30, 2023, the District reported a liability of \$2,605,815 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the District's proportion was 0.12303% which was a decrease of 0.00182% from its proportion measured as of September 30, 2021.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2023, the District recognized OPEB expense of \$(1,267,883). At June 30, 2023, 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	\$ -	\$ 5,103,792	\$ (5,103,792)
Changes in assumptions	2,322,646	189,123	2,133,523
Net difference between projected and actual earnings on OPEB plan investments	203,665	-	203,665
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,434	605,028	(598,594)
	<u>2,532,745</u>	<u>5,897,943</u>	<u>(3,365,198)</u>
District contributions subsequent to the measurement date	897,407	-	897,407
Total	<u>\$ 3,430,152</u>	<u>\$ 5,897,943</u>	<u>\$ (2,467,791)</u>

The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. 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
2024	\$ (1,212,788)
2025	(1,047,311)
2026	(908,360)
2027	(122,434)
2028	(70,774)
Thereafter	<u>(3,531)</u>
Total	<u>\$ (3,365,198)</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, 2021 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)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
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	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% 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, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2022, are based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.3922 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2250 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

Changes in assumptions. The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, 6.00% for the Pension Plus Plan, and 6.00% for OPEB.

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, 2022, 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%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	-0.19%	-0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short-term investment pools	2.00%	-0.47%	-0.01%
	100.00%		4.67%
Inflation			2.20%
Risk adjustment			-0.87%
Investment rate of return			6.00%

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, 2022, 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%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	-0.19%	-0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short-term investment pools	2.00%	-0.47%	-0.01%
	<u>100.00%</u>		4.67%
Inflation			2.20%
Risk adjustment			<u>-0.87%</u>
Investment rate of return			<u><u>6.00%</u></u>

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was -4.18% and -4.99%, 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 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. 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 6.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net pension liability	\$ 61,886,083	\$ 46,896,595	\$ 34,544,582

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 6.00%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB liability	\$ 4,371,003	\$ 2,605,815	\$ 1,119,307

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	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,091,191	\$ 2,605,815	\$ 4,306,010

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2023, the District reported a payable of \$888,457 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2023.

Payable to the OPEB Plan

At June 30, 2023, the District reported a payable of \$111,577 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2023.

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, 2023, the District contributed \$25,212 to the Plan.

Membership of the Plan consisted of the following at June 30, 2023, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	87
Active plan members	93
Total	180

Actuarial Assumptions

The total OPEB liability was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2023. 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	3.35% (for purposes of allocating liability)
Investment rate of return	N/A - plan is not pre-funded
20-year Aa Municipal bond rate	4.13% (S&P Municipal Bond 20-Year High Grade Rate Index)
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 4.09% for 2023 contribution; 4.13% for June 30, 2023 liability and 2024 contribution. The Plan is funded on a pay-as-you-go basis, therefore, the AA municipal bond index of 4.13% was applied to all future periods.

Assumption changes since prior valuation - The discount rate was raised from 4.09% to 4.13%, the salary scale updated from 3.50% to 3.35%.

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:

	Fiscal Year Ending June 30, 2023
Total OPEB Liability	
Service cost	\$ 3,970
Interest	8,003
Difference between expected and actual experience	31,970
Change in assumptions	(22)
Benefit payments (including refunds of employee contributions)	<u>(25,212)</u>
Net change in total OPEB liability	18,709
Total OPEB liability - beginning of year	<u>204,333</u>
Total OPEB Liability - end of year	<u><u>\$ 223,042</u></u>

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$16,482. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 30,909	\$ 8,416	\$ 22,493
Changes in assumptions	<u>3,941</u>	<u>12,220</u>	<u>(8,279)</u>
	<u><u>\$ 34,850</u></u>	<u><u>\$ 20,636</u></u>	<u><u>\$ 14,214</u></u>

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

Year Ended June 30,	Amount Recognized
2024	\$ 4,115
2025	4,125
2026	<u>5,974</u>
Total	<u><u>\$ 14,214</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 4.13%, 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 (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's total OPEB liability	\$ 235,343	\$ 223,042	\$ 211,591

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	\$ 208,390	\$ 223,042	\$ 239,358

14. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2023, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 720,597
Capital assets being depreciated, net	32,226,433
	<u>32,947,030</u>
Related debt:	
Bonds, notes and other long-term liabilities	(14,088,999)
Unspent bond proceeds	129,213
Premiums on bonds payable	(685,750)
Deferred charge on bond refunding	422,016
	<u>(14,223,520)</u>
Net investment in capital assets	<u><u>\$ 18,723,510</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, 2023.

16. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past several years, the District has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, approximately \$1.7 million was expended and recognized as revenue during the current fiscal year. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.

17. SUBSEQUENT EVENT

In August 2023, the District borrowed \$1,250,000 on state aid anticipation notes with effective interest charged at 3.46% maturing in July 2024.

In August 2023, the District borrowed \$2,000,000 on state aid anticipation notes with effective interest charged at 3.46% maturing in August 2024.



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,			
	2023	2022	2021	2020
District's proportionate share of the net pension liability	\$ 46,896,595	\$ 29,827,726	\$ 44,469,541	\$ 44,391,340
District's proportion of the net pension liability	0.12470%	0.12599%	0.12946%	0.13405%
District's covered payroll	\$ 11,982,422	\$ 11,309,937	\$ 11,341,983	\$ 11,545,499
District's proportionate share of the net pension liability as a percentage of its covered payroll	391.38%	263.73%	392.08%	384.49%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%	60.31%

See notes to required supplementary information.



Year Ended June 30,				
2019	2018	2017	2016	2015
\$ 41,471,358	\$ 36,293,818	\$ 46,896,595	\$ 34,115,831	\$ 29,492,376
0.13795%	0.14005%	0.14288%	0.13968%	0.13389%
\$ 11,671,363	\$ 11,550,184	\$ 12,196,742	\$ 12,316,387	\$ 12,089,451
355.33%	314.23%	384.50%	277.00%	243.95%
62.36%	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,			
	2023	2022	2021	2020
Statutorily required contribution	\$ 4,251,661	\$ 4,020,761	\$ 3,633,919	\$ 3,518,789
Contributions in relation to the statutorily required contribution	<u>(4,251,661)</u>	<u>(4,020,761)</u>	<u>(3,633,919)</u>	<u>(3,518,789)</u>
Contribution deficiency (excess)	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,300,389	\$ 11,972,146	\$ 11,166,226	\$ 11,855,233
Contributions as a percentage of covered payroll	34.57%	33.58%	32.54%	29.68%

See notes to required supplementary information.



Year Ended June 30,				
2019	2018	2017	2016	2015
\$ 3,441,147	\$ 3,727,557	\$ 3,244,186	\$ 3,271,804	\$ 3,140,498
<u>(3,441,147)</u>	<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>	<u>\$ -</u>
\$ 11,496,598	\$ 11,697,921	\$ 12,002,957	\$ 12,667,478	\$ 12,406,912
29.93%	31.87%	27.03%	25.83%	25.31%

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,			
	2023	2022	2021	2020
District's proportionate share of the net OPEB liability	\$ 2,605,815	\$ 1,905,688	\$ 6,852,885	\$ 9,483,253
District's proportion of the net OPEB liability	0.12303%	0.12485%	0.12792%	0.13212%
District's covered payroll	\$ 11,982,422	\$ 11,309,937	\$ 11,341,983	\$ 11,545,499
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.75%	16.85%	60.42%	82.14%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%	59.44%	48.46%

See notes to required supplementary information.



Year Ended June 30,

2019	2018
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\$ 10,900,558	\$ 12,425,644
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0.13713%	0.14032%
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\$ 11,671,363	\$ 11,550,184
---------------	---------------

93.40%	107.58%
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42.95%	36.39%
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ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,			
	2023	2022	2021	2020
Statutorily required contributions	\$ 1,039,406	\$ 1,000,690	\$ 973,547	\$ 989,956
Contributions in relation to the statutorily required contributions	<u>(1,039,406)</u>	<u>(1,000,690)</u>	<u>(973,547)</u>	<u>(989,956)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,300,389	\$ 11,972,146	\$ 11,166,226	\$ 11,855,233
Contributions as a percentage of covered payroll	8.45%	8.36%	8.72%	8.35%

See notes to required supplementary information.



Year Ended June 30,	
2019	2018
\$ 942,954	\$ 900,666
<u>(942,954)</u>	<u>(900,666)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 11,496,598	\$ 11,697,921
8.20%	7.70%

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,			
	2023	2022	2021	2020
Total OPEB Liability				
Service Cost	\$ 3,970	\$ 5,808	\$ 9,095	\$ 8,856
Interest	8,003	5,062	7,074	8,093
Difference between expected and actual experience	31,970	1,715	(30,181)	6,893
Change in assumptions	(22)	(21,830)	9,698	4,664
Benefit payments (including refunds of employee contributions)	(25,212)	(25,617)	(26,636)	(38,542)
Other changes	-	-	-	-
Net change in total OPEB liability	18,709	(34,862)	(30,950)	(10,036)
Total OPEB liability, beginning of year	204,333	239,195	270,145	280,181
Total OPEB Liability, end of year	<u>\$ 223,042</u>	<u>\$ 204,333</u>	<u>\$ 239,195</u>	<u>\$ 270,145</u>
District's covered payroll	\$ 6,791,446	\$ 7,774,311	\$ 7,339,944	\$ 11,728,625
Total OPEB liability as percentage of covered payroll	3.3%	2.6%	3.3%	2.3%

See notes to required supplementary information.



Year Ended June 30,	
2019	2018
\$ 7,840	\$ 8,043
8,035	8,747
31,796	2,154
(9,905)	3,258
(34,625)	(37,994)
<u>(302)</u>	<u>-</u>
2,839	(15,792)
<u>277,342</u>	<u>293,134</u>
<u>\$ 280,181</u>	<u>\$ 277,342</u>
\$ 11,628,280	Not Available
2.4%	Not Available

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,			
	2023	2022	2021	2020
Actuarially Determined Contribution	\$ 34,594	\$ 35,492	\$ 47,994	\$ 40,569
Contributions in Relation to the Actuarially Determined Contribution	<u>(25,212)</u>	<u>(25,617)</u>	<u>(26,636)</u>	<u>(38,542)</u>
Contribution deficiency	<u>\$ 9,382</u>	<u>\$ 9,875</u>	<u>\$ 21,358</u>	<u>\$ 2,027</u>
District's covered payroll	\$ 6,791,446	\$ 7,774,311	\$ 7,339,944	\$ 11,728,625
Contributions as a percentage of covered payroll	0.37%	0.33%	0.36%	0.33%

See notes to required supplementary information.



Year Ended June 30,	
2019	2018
\$ 36,023	\$ 38,627
<u>(34,923)</u>	<u>(37,994)</u>
<u>\$ 1,100</u>	<u>\$ 633</u>
\$ 11,628,280	Not Available
0.30%	Not Available

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:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 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 data 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:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 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, 2023
Measurement Date	June 30, 2023
Actuarial Methods:	
Cost method	Entry Age Normal (level percentage of compensation)
Asset valuation method	N/A, plan is not pre-funded
Amortization method	8-year, level percent of pay
Actuarial Assumptions:	
Discount rate	4.09% for 2023 contribution; 4.13% for June 30, 2023 liability and 2024 contribution
Salary scale	3.35%
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

2023 Assumption changes

- Salary scale updated from 3.50% to 3.35%
- Discount rate raised from 4.09% to 4.13%

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 4,006,213	\$ 4,168,625	\$ 4,163,091	\$ (5,534)
Local restricted	-	2,677	2,677	-
Other local revenue	274,678	547,804	593,653	45,849
Total local sources	4,280,891	4,719,106	4,759,421	40,315
State sources:				
State aid unrestricted	14,537,330	15,460,690	15,490,184	29,494
State aid restricted	4,715,773	6,434,476	6,405,118	(29,358)
Total state sources	19,253,103	21,895,166	21,895,302	136
Federal sources	2,679,885	2,694,370	2,576,403	(117,967)
Other sources:				
Other restricted	342,165	404,813	405,556	743
Total revenues	26,556,044	29,713,455	29,636,682	(76,773)
Expenditures				
Current:				
Basic instruction:				
Salaries	4,858,760	4,901,428	4,883,368	(18,060)
Fringe benefits	5,105,923	6,457,972	6,364,348	(93,624)
Purchased services	646,152	750,614	695,527	(55,087)
Supplies	2,254,963	2,049,466	2,041,675	(7,791)
	12,865,798	14,159,480	13,984,918	(174,562)
Added needs:				
Salaries	2,073,308	2,101,244	2,052,440	(48,804)
Fringe benefits	1,285,855	1,565,754	1,498,623	(67,131)
Purchased services	142,283	194,605	125,724	(68,881)
Supplies	120,951	105,799	94,963	(10,836)
	3,622,397	3,967,402	3,771,750	(195,652)
Total instruction	16,488,195	18,126,882	17,756,668	(370,214)
Support services:				
Pupil services:				
Salaries	1,232,118	1,039,599	1,017,220	(22,379)
Fringe benefits	771,390	854,380	828,874	(25,506)
Purchased services	84,965	158,483	137,301	(21,182)
Supplies	44,200	44,400	31,466	(12,934)
	2,132,673	2,096,862	2,014,861	(82,001)

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Current (continued):				
Support services (continued):				
Instructional staff:				
Salaries	\$ 427,661	\$ 378,471	\$ 347,950	\$ (30,521)
Fringe benefits	212,736	279,075	259,685	(19,390)
Purchased services	184,445	238,203	198,967	(39,236)
Supplies	153,695	166,557	149,887	(16,670)
	<u>978,537</u>	<u>1,062,306</u>	<u>956,489</u>	<u>(105,817)</u>
General administration:				
Salaries	185,650	189,416	188,548	(868)
Fringe benefits	138,770	159,910	148,572	(11,338)
Purchased services	95,430	129,560	117,967	(11,593)
Supplies	19,700	22,467	12,864	(9,603)
	<u>439,550</u>	<u>501,353</u>	<u>467,951</u>	<u>(33,402)</u>
School administration:				
Salaries	751,194	751,771	750,770	(1,001)
Fringe benefits	553,514	585,766	575,886	(9,880)
Purchased services	7,950	5,775	456	(5,319)
Supplies	50,745	50,600	24,579	(26,021)
	<u>1,363,403</u>	<u>1,393,912</u>	<u>1,351,691</u>	<u>(42,221)</u>
Business services:				
Salaries	189,910	200,856	200,856	-
Fringe benefits	154,406	156,714	164,041	7,327
Purchased services	47,018	46,625	24,480	(22,145)
Supplies	13,455	261,257	259,142	(2,115)
Interest on state aid note payable	88,850	76,683	76,683	-
	<u>493,639</u>	<u>742,135</u>	<u>725,202</u>	<u>(16,933)</u>
Operations and maintenance:				
Salaries	265,842	219,562	197,700	(21,862)
Fringe benefits	213,526	201,457	186,986	(14,471)
Purchased services	1,149,437	1,207,857	1,109,982	(97,875)
Supplies	455,757	495,091	450,969	(44,122)
	<u>2,084,562</u>	<u>2,123,967</u>	<u>1,945,637</u>	<u>(178,330)</u>
Transportation:				
Salaries	578,607	556,375	549,065	(7,310)
Fringe benefits	473,718	531,233	520,860	(10,373)
Purchased services	142,690	146,713	124,112	(22,601)
Supplies	221,540	252,133	221,500	(30,633)
	<u>1,416,555</u>	<u>1,486,454</u>	<u>1,415,537</u>	<u>(70,917)</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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (concluded):				
Supporting services (concluded):				
Central services:				
Purchased services	\$ 90,696	\$ 88,315	\$ 57,679	\$ (30,636)
Athletics:				
Salaries	185,849	175,921	175,583	(338)
Fringe benefits	98,064	101,723	99,803	(1,920)
Purchased services	178,405	208,136	190,788	(17,348)
Supplies	77,039	94,775	82,859	(11,916)
	<u>539,357</u>	<u>580,555</u>	<u>549,033</u>	<u>(31,522)</u>
Total support services	<u>9,538,972</u>	<u>10,075,859</u>	<u>9,484,080</u>	<u>(591,779)</u>
Community services:				
Salaries	39,793	35,826	42,437	6,611
Fringe benefits	22,387	21,799	23,725	1,926
Purchased services	27,568	25,252	15,341	(9,911)
Supplies	9,537	21,679	10,049	(11,630)
	<u>99,285</u>	<u>104,556</u>	<u>91,552</u>	<u>(13,004)</u>
Total community services	<u>99,285</u>	<u>104,556</u>	<u>91,552</u>	<u>(13,004)</u>
Debt service:				
Principal	74,817	74,817	74,816	(1)
Interest and fiscal charges	3,571	3,571	3,571	-
	<u>78,388</u>	<u>78,388</u>	<u>78,387</u>	<u>(1)</u>
Total debt service	<u>78,388</u>	<u>78,388</u>	<u>78,387</u>	<u>(1)</u>
Capital outlay	<u>345,775</u>	<u>307,848</u>	<u>293,367</u>	<u>(14,481)</u>
Total expenditures	<u>26,550,615</u>	<u>28,693,533</u>	<u>27,704,054</u>	<u>(989,479)</u>
Revenues over expenditures	5,429	1,019,922	1,932,628	912,706
Other financing uses				
Transfers out	-	(708,488)	(707,045)	(1,443)
Net change in fund balance	5,429	311,434	1,225,583	914,149
Fund balance, beginning of year	<u>3,983,234</u>	<u>3,983,234</u>	<u>3,983,234</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,988,663</u>	<u>\$ 4,294,668</u>	<u>\$ 5,208,817</u>	<u>\$ 914,149</u>

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ESCANABA AREA PUBLIC SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Fund		Debt Service Funds		
	Food Service	Student/School Activities	2010 Debt Retirement	2014 Refunding Bonds	2022 Energy Bonds
Assets					
Cash and investments	\$ 706,286	\$ 322,186	\$ 380,486	\$ -	\$ 84
Accounts receivable	2,578	-	-	-	-
Due from other funds	371	-	-	-	-
Due from other governments	16,695	-	-	-	-
Inventory	37,721	-	-	-	-
Total assets	<u>\$ 763,651</u>	<u>\$ 322,186</u>	<u>\$ 380,486</u>	<u>\$ -</u>	<u>\$ 84</u>
Liabilities					
Accounts payable	\$ 4,259	\$ 3,660	\$ -	\$ -	\$ -
Accrued liabilities	28,749	-	-	-	-
Unearned revenue	35,304	-	-	-	-
Total liabilities	<u>68,312</u>	<u>3,660</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable for inventories	37,721	-	-	-	-
Restricted:					
Capital projects	-	-	-	-	-
Debt service	-	-	380,486	-	84
Food service	657,618	-	-	-	-
Committed:					
Student groups	-	318,526	-	-	-
Assigned:					
Capital projects	-	-	-	-	-
Total fund balances	<u>695,339</u>	<u>318,526</u>	<u>380,486</u>	<u>-</u>	<u>84</u>
Total liabilities and fund balances	<u>\$ 763,651</u>	<u>\$ 322,186</u>	<u>\$ 380,486</u>	<u>\$ -</u>	<u>\$ 84</u>



Capital Projects Funds		
Public Improvement	2022 Energy Conservation	Total
\$ 671,119	\$ 332,918	\$ 2,413,079
-	-	2,578
-	-	371
-	-	16,695
-	-	37,721
<u>\$ 671,119</u>	<u>\$ 332,918</u>	<u>\$ 2,470,444</u>
\$ 42,254	\$ 203,705	\$ 253,878
-	-	28,749
-	-	35,304
<u>42,254</u>	<u>203,705</u>	<u>317,931</u>
-	-	37,721
-	129,213	129,213
-	-	380,570
-	-	657,618
-	-	318,526
<u>628,865</u>	<u>-</u>	<u>628,865</u>
<u>628,865</u>	<u>129,213</u>	<u>2,152,513</u>
<u>\$ 671,119</u>	<u>\$ 332,918</u>	<u>\$ 2,470,444</u>

ESCANABA AREA PUBLIC SCHOOLS

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

Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Fund		Debt Service Funds		
	Food Service	Student/School Activities	2010 Debt Retirement	2014 Refunding Bonds	2022 Energy Bonds
Revenues					
Local sources	\$ 131,459	\$ 386,769	\$ 1,898,487	\$ -	\$ 84
State sources	50,677	-	364,043	-	-
Federal sources	1,322,548	-	-	-	-
Total revenues	<u>1,504,684</u>	<u>386,769</u>	<u>2,262,530</u>	<u>-</u>	<u>84</u>
Expenditures					
Current:					
Salaries	344,470	-	-	-	-
Fringe benefits	259,800	-	-	-	-
Supplies	857,350	-	-	-	-
Student activities	-	364,150	-	-	-
Debt service:					
Principal	-	-	-	1,795,000	-
Interest and fiscal charges	-	-	66	584,550	26,354
Capital outlay	-	-	-	-	-
Total expenditures	<u>1,461,620</u>	<u>364,150</u>	<u>66</u>	<u>2,379,550</u>	<u>26,354</u>
Revenues over (under) expenditures	<u>43,064</u>	<u>22,619</u>	<u>2,262,464</u>	<u>(2,379,550)</u>	<u>(26,270)</u>
Other financing sources (uses)					
Transfers in	-	-	-	2,379,550	26,354
Transfers out	-	-	(2,379,550)	-	-
Issuance of long-term debt	-	-	-	-	-
Premium on issuance of long-term debt	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,379,550)</u>	<u>2,379,550</u>	<u>26,354</u>
Net changes in fund balances	<u>43,064</u>	<u>22,619</u>	<u>(117,086)</u>	<u>-</u>	<u>84</u>
Fund balances, beginning of year	<u>652,275</u>	<u>295,907</u>	<u>497,572</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 695,339</u>	<u>\$ 318,526</u>	<u>\$ 380,486</u>	<u>\$ -</u>	<u>\$ 84</u>



Capital Projects Funds		
Public Improvement	2022 Energy Conservation	Total
\$ 252,207	\$ 11,161	\$ 2,680,167
-	-	414,720
-	-	1,322,548
<u>252,207</u>	<u>11,161</u>	<u>4,417,435</u>
-	-	344,470
-	-	259,800
-	-	857,350
-	-	364,150
-	-	1,795,000
-	56,815	667,785
<u>1,766,924</u>	<u>1,047,623</u>	<u>2,814,547</u>
<u>1,766,924</u>	<u>1,104,438</u>	<u>7,103,102</u>
<u>(1,514,717)</u>	<u>(1,093,277)</u>	<u>(2,685,667)</u>
680,691	-	3,086,595
-	-	(2,379,550)
-	1,150,000	1,150,000
-	72,490	72,490
<u>680,691</u>	<u>1,222,490</u>	<u>1,929,535</u>
(834,026)	129,213	(756,132)
<u>1,462,891</u>	<u>-</u>	<u>2,908,645</u>
<u>\$ 628,865</u>	<u>\$ 129,213</u>	<u>\$ 2,152,513</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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 96,940	\$ 125,290	\$ 131,459	\$ 6,169
State sources	62,029	55,014	50,677	(4,337)
Federal sources	1,140,200	1,318,189	1,322,548	4,359
Total revenues	<u>1,299,169</u>	<u>1,498,493</u>	<u>1,504,684</u>	<u>6,191</u>
Expenditures				
Salaries	401,364	371,452	344,470	(26,982)
Fringe benefits	244,102	288,991	259,800	(29,191)
Supplies	733,723	891,020	857,350	(33,670)
Total expenditures	<u>1,379,189</u>	<u>1,551,463</u>	<u>1,461,620</u>	<u>(89,843)</u>
Net change in fund balance	(80,020)	(52,970)	43,064	96,034
Fund balance, beginning of year	<u>652,275</u>	<u>652,275</u>	<u>652,275</u>	-
Fund balance, end of year	<u>\$ 572,255</u>	<u>\$ 599,305</u>	<u>\$ 695,339</u>	<u>\$ 96,034</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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 375,000	\$ 375,000	\$ 386,769	\$ 11,769
Expenditures				
Student activities	<u>375,000</u>	<u>375,000</u>	<u>364,150</u>	<u>(10,850)</u>
Net change in fund balance	-	-	22,619	22,619
Fund balance, beginning of year	<u>295,907</u>	<u>295,907</u>	<u>295,907</u>	-
Fund balance, end of year	<u><u>\$ 295,907</u></u>	<u><u>\$ 295,907</u></u>	<u><u>\$ 318,526</u></u>	<u><u>\$ 22,619</u></u>

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds - Scholarships

June 30, 2023

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
Assets			
Cash and cash equivalents	\$ 59,698	\$ 659,557	\$ 719,255
Interest receivable	2,669	2,534	5,203
Investments:			
Common stocks	441,690	3,479,887	3,921,577
Mutual funds	1,153,052	1,069,029	2,222,081
Bonds	384,440	-	384,440
	<u>384,440</u>	<u>-</u>	<u>384,440</u>
Net position restricted for scholarships	<u>\$ 2,041,549</u>	<u>\$ 5,211,007</u>	<u>\$ 7,252,556</u>

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds - Scholarships

For the Year Ended June 30, 2023

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
Additions			
Contributions	\$ -	\$ 273,949	\$ 273,949
Investment income:			
Interest and dividends	19,968	131,719	151,687
Net decrease in fair value of investments	147,390	324,420	471,810
Total investment income	167,358	456,139	623,497
Total additions	167,358	730,088	897,446
Deductions			
Scholarships and trophies	88,483	334,778	423,261
Trustee fees	12,709	28,737	41,446
Total deductions	101,192	363,515	464,707
Change in net position	66,166	366,573	432,739
Net position, beginning of year	1,975,383	4,844,434	6,819,817
Net position, end of year	\$ 2,041,549	\$ 5,211,007	\$ 7,252,556

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OTHER INFORMATION (UNAUDITED)

ESCANABA AREA PUBLIC SCHOOLS

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

For the Year Ended June 30, 2023

	Taxable Valuation	Per \$1,000 Valuation	Tax Levy
General Fund (on homestead taxable valuation only)			
City of Escanaba	\$ 164,050,214	6-18 mills	\$ 2,760,113
Wells Township (Delta County)	40,869,054	6-18 mills	713,066
Ford River Township	22,791,995	6-18 mills	409,865
Cornell Township	9,051,848	6-18 mills	161,906
Wells Township (Marquette County)	<u>2,491,171</u>	6-18 mills	<u>43,785</u>
Total General Fund	<u><u>\$ 239,254,282</u></u>	6-18 mills	<u><u>\$ 4,088,735</u></u>
2010 Debt Retirement Fund (on total taxable valuation)			
City of Escanaba	\$ 323,097,519	3.20 mills	\$ 1,033,912
Wells Township (Delta County)	164,827,144	3.20 mills	527,447
Ford River Township	79,317,988	3.20 mills	253,818
Cornell Township	26,246,629	3.20 mills	83,989
Wells Township (Marquette County)	<u>3,204,337</u>	3.20 mills	<u>10,254</u>
Total 2010 Debt Retirement Fund	<u><u>\$ 596,693,617</u></u>	3.20 mills	<u><u>\$ 1,909,420</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, 2023

	Net Position July 1, 2022	Additions			Total Additions	
		Contributions	Interest and Dividends	Gain on Sale of Investments		Increase in Fair Value of Investments
Investment accounts						
Abrahamson, Gary Sr. Athletic Award	\$ 120,384	\$ -	\$ 3,430	\$ 194	\$ 8,252	\$ 11,876
Abrahamson Family	104,873	-	2,988	170	7,190	10,348
Adamini, Peter Memorial	11,717	-	334	19	803	1,156
Andreini, Dr. Larry	-	1,000	-	-	-	1,000
Aronson, Arthur V. & Elin C.	138,941	1,000	3,959	225	9,526	14,710
Beauchamp, Grace Huston	16,605	-	473	27	1,138	1,638
Beck, Conrad D.	16,204	-	462	26	1,111	1,599
Bennets, Jeanee	13,993	-	399	23	959	1,381
Berres, Frank Memorial	10,924	481	311	18	749	1,559
Berhow, Rona Rae Memorial	331	-	9	1	23	33
Berndt, Sherry	50,890	-	1,450	82	3,489	5,021
Bero, Willard & Joyce	60,410	-	1,721	98	4,142	5,961
Bonifas, Catherine	127,282	-	3,627	206	8,727	12,560
Bosk, Robert & Olga	75,375	-	2,148	122	5,168	7,438
Brown, Ian & Laura Family	2,228	500	63	4	153	720
Calouette, John A. Memorial	12,002	-	342	19	823	1,184
Chernick, John Memorial	3,009	-	86	5	206	297
Class of 1959	43,806	5,630	1,248	71	3,003	9,952
Cohodas, Sam M.	10,666	-	304	17	731	1,052
Coplan Family Music	43,569	-	1,242	71	2,987	4,300
Coplan, BA Memorial	68,544	-	1,953	111	4,700	6,764
Cvengros, Jerry Memorial	8,394	-	239	14	576	829
Cunningham Family	10,419	-	297	17	714	1,028
Dagenais, Elmer & Phoebe	17,125	-	488	28	1,174	1,690
Diedrich, Louis	25,381	200	723	41	1,740	2,704
Derkos, Danny Memorial	18,943	-	540	31	1,299	1,870
Derouin, Cook/Derouin's Collison	4,912	-	140	8	337	485
Derouin, Dean	5,982	-	170	10	410	590
Dufour, Susan C. & Thomas D	8,254	-	235	13	566	814
Dunstone, Robert Memorial	5,551	-	158	9	381	548
Edick, Edward E.	12,328	-	351	20	845	1,216
Erickson/Breitenbach Wildlife	1,487	-	42	2	102	146
Escanaba Educational Trust	13,106	-	373	21	899	1,293
Fernstrom, Esther	11,274	-	321	18	773	1,112
Ferrari, Joan Hesse	13,574	500	387	22	931	1,840
Fontaine, Sally Stack	11,612	-	331	19	796	1,146
Fleming, Lawrence and Nina	17,591	-	501	28	1,206	1,735
Freidhoff, Steve Memorial	4,157	-	118	7	285	410
Gasman, John T.	1,190	-	34	2	82	118
Gessner, Charles H. Family	94,258	-	2,686	153	6,463	9,302
Gordon, Dr. E. James	306,549	-	8,735	497	21,018	30,250
Grab, George	36,747	-	1,047	60	2,519	3,626
Green, Wendell & Mary Lorraine	28,216	-	804	46	1,935	2,785
Hansen, John Wesley Memorial	16,977	-	484	28	1,164	1,676
Haslow, Robert L. Memorial	7,391	-	211	12	507	730
Henslee, Forrest & Mary	38,346	-	1,093	62	2,629	3,784
Hermans, James L. Memorial	25,000	-	712	41	1,714	2,467
Johnson, Bradley D.	73,117	-	2,083	118	5,013	7,214
Karkkainen, Melvin	10,952	4,200	312	18	751	5,281
Kirstin, Herbert & Irene	18,440	-	525	30	1,264	1,819
Klemmetsen/Rose Memorial	347,724	-	9,908	563	23,841	34,312
Koontz, John & Barbara Memorial	4,543	-	129	7	311	447

Deductions					
Scholarships and Trophies	Trustee Fees	Total Deductions	Change in Net Position	Net Position June 30, 2023	Accumulated Contributions to Fund
\$ 6,950	\$ 751	\$ 7,701	\$ 4,175	\$ 124,559	\$ 104,000
3,025	651	3,676	6,672	111,545	120,000
-	73	73	1,083	12,800	8,510
-	-	-	1,000	1,000	1,000
9,033	863	9,896	4,814	143,755	97,325
-	103	103	1,535	18,140	10,000
1,625	101	1,726	(127)	16,077	9,570
-	87	87	1,294	15,287	11,898
2,000	68	2,068	(509)	10,415	13,881
-	2	2	31	362	6,000
2,425	316	2,741	2,280	53,170	32,376
3,350	375	3,725	2,236	62,646	40,000
2,125	790	2,915	9,645	136,927	50,000
4,300	468	4,768	2,670	78,045	54,500
-	14	14	706	2,934	2,500
700	75	775	409	12,411	10,000
450	19	469	(172)	2,837	2,200
4,225	282	4,507	5,445	49,251	41,264
1,075	66	1,141	(89)	10,577	5,186
-	271	271	4,029	47,598	25,000
4,000	426	4,426	2,338	70,882	56,856
850	52	902	(73)	8,321	5,665
-	65	65	963	11,382	6,100
1,000	106	1,106	584	17,709	13,369
-	158	158	2,546	27,927	20,775
1,000	118	1,118	752	19,695	14,815
275	31	306	179	5,091	5,000
-	37	37	553	6,535	3,744
-	51	51	763	9,017	5,170
1,000	34	1,034	(486)	5,065	5,010
-	77	77	1,139	13,467	5,507
-	9	9	137	1,624	1,000
1,575	81	1,656	(363)	12,743	11,603
1,150	70	1,220	(108)	11,166	4,226
775	84	859	981	14,555	10,195
-	72	72	1,074	12,686	10,300
1,000	109	1,109	626	18,217	10,000
-	26	26	384	4,541	2,941
75	7	82	36	1,226	1,115
2,700	585	3,285	6,017	100,275	64,963
12,000	1,904	13,904	16,346	322,895	218,131
900	228	1,128	2,498	39,245	20,000
-	175	175	2,610	30,826	24,102
950	105	1,055	621	17,598	11,250
-	46	46	684	8,075	5,250
-	238	238	3,546	41,892	34,896
-	155	155	2,312	27,312	25,000
4,150	454	4,604	2,610	75,727	49,607
1,000	87	1,087	4,194	15,146	24,200
1,025	115	1,140	679	19,119	10,000
16,902	2,160	19,062	15,250	362,974	232,350
250	28	278	169	4,712	1,455

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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, 2023

	Net Position July 1, 2022	Additions				Total Additions
		Contributions	Interest and Dividends	Gain on Sale of Investments	Increase in Fair Value of Investments	
Investment accounts						
LaFave, Olive C.	\$ 40,601	\$ -	\$ 1,157	\$ 66	\$ 2,784	\$ 4,007
Lemerand, Clarence & Della	425,295	-	12,119	689	29,160	41,968
Lindstrom, James	5,019	-	147	8	344	499
Louis, Frank B. & Mamie A.	157,715	-	4,494	256	10,813	15,563
McCotter, Delores	1,959	-	56	3	134	193
McDermott, Thomas Memorial	60,143	-	1,714	97	4,124	5,935
McKie, Donald	31,774	-	905	51	2,179	3,135
McInerney, Dr. Thomas & Dr. Edna Memorial	79,865	-	2,276	129	5,476	7,881
Micensky, Robert	5,346	-	152	9	367	528
Milkiewicz, Stephen M.	6,618	-	189	11	454	654
Milkiewicz, Kim Ann	13,111	-	374	21	899	1,294
Molin, Jack and Class of 1944	43,124	-	1,229	70	2,957	4,256
Nordberg, Carl A.	18,479	-	527	30	1,267	1,824
O'Donnell, Anne C.	34,694	-	989	56	2,379	3,424
Olson, Joanne Taylor	14,723	-	420	24	1,009	1,453
Owen, Robert A. & Ruth	37,857	-	1,079	61	2,596	3,736
Owens, Georgia Gibbs/ Irwin & Marge Gibbs	271,120	-	7,726	439	18,589	26,754
Peterson, Ken	5,195	-	148	8	356	512
Pfotenhauer/Gessner	13,935	-	397	23	955	1,375
Puckelwartz, William H.	33,473	-	954	54	2,295	3,303
Reade, H.W.	27,179	-	774	44	1,863	2,681
Ruwitich, George	39,295	-	1,120	64	2,694	3,878
Sackerson, Helen A.	200,000	-	5,699	324	13,713	19,736
Salo, Christine	11,630	-	331	19	797	1,147
Saykily, Josephine	13,483	-	384	22	924	1,330
Schram, Dick Memorial	15,081	-	430	24	1,034	1,488
St. Louis, Maria, George & Stanley	427,810	-	12,191	693	29,332	42,216
St. Pierre, Mary	5,653	-	161	9	388	558
Stein, Daniel	52,546	-	1,497	85	3,603	5,185
Taylor, Francis & Nancy	142,627	-	4,064	231	9,779	14,074
Taylor, Al Family	144,567	-	4,119	234	9,912	14,265
Taylor, Naomi Memorial	67,045	-	1,910	109	4,597	6,616
Timmer, Gene	3,713	-	106	6	255	367
VanEffen, William J.	8,352	-	238	14	573	825
Wylie, Henry	4,417	-	126	7	303	436
Young, A.J.	27,740	-	791	45	1,902	2,738
	<u>4,622,477</u>	<u>13,511</u>	<u>131,719</u>	<u>7,489</u>	<u>316,931</u>	<u>469,650</u>
Cash accounts						
Wickman/Addison, Ruth	1,541	5,618	-	-	-	5,618
Felton, Oliver	132	4,991	-	-	-	4,991
Hirn, Robert & Elva	177,515	104,752	-	-	-	104,752
Kintziger, Louis J.	17,103	3,952	-	-	-	3,952
Maki, Arnie & Violet	(1,469)	12,643	-	-	-	12,643
Miscellaneous contributions	27,135	128,482	-	-	-	128,482
	<u>221,957</u>	<u>260,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,438</u>
Total	<u>\$ 4,844,434</u>	<u>\$ 273,949</u>	<u>\$ 131,719</u>	<u>\$ 7,489</u>	<u>\$ 316,931</u>	<u>\$ 730,088</u>

Deductions					
Scholarships and Trophies	Trustee Fees	Total Deductions	Change in Net Position	Net Position June 30, 2023	Accumulated Contributions to Fund
\$ 4,075	\$ 252	\$ 4,327	\$ (320)	\$ 40,281	\$ 20,000
29,175	2,641	31,816	10,152	435,447	300,741
275	31	306	193	5,212	4,100
11,475	979	12,454	3,109	160,824	89,945
200	12	212	(19)	1,940	1,500
3,025	374	3,399	2,536	62,679	47,420
1,550	197	1,747	1,388	33,162	24,176
2,325	496	2,821	5,060	84,925	50,000
300	33	333	195	5,541	4,155
325	41	366	288	6,906	8,500
775	81	856	438	13,549	2,600
-	268	268	3,988	47,112	29,644
1,025	115	1,140	684	19,163	11,562
2,025	215	2,240	1,184	35,878	21,005
700	91	791	662	15,385	10,000
-	235	235	3,501	41,358	25,000
3,900	1,684	5,584	21,170	292,290	153,755
300	32	332	180	5,375	5,015
1,000	87	1,087	288	14,223	10,000
1,850	208	2,058	1,245	34,718	12,962
1,500	169	1,669	1,012	28,191	10,150
2,200	244	2,444	1,434	40,729	28,096
-	1,242	1,242	18,494	218,494	200,000
1,000	72	1,072	75	11,705	10,660
1,350	84	1,434	(104)	13,379	10,000
-	94	94	1,394	16,475	10,090
22,525	2,657	25,182	17,034	444,844	234,975
550	35	585	(27)	5,626	4,164
3,100	326	3,426	1,759	54,305	35,000
3,650	886	4,536	9,538	152,165	100,000
7,450	898	8,348	5,917	150,484	100,230
-	416	416	6,200	73,245	50,255
200	23	223	144	3,857	2,814
475	52	527	298	8,650	5,000
250	27	277	159	4,576	2,708
-	172	172	2,566	30,306	9,900
<u>202,410</u>	<u>28,737</u>	<u>231,147</u>	<u>238,503</u>	<u>4,860,980</u>	<u>3,205,927</u>
4,250	-	4,250	1,368	2,909	55,157
1,763	-	1,763	3,228	3,360	55,195
64,633	-	64,633	40,119	217,634	704,829
6,838	-	6,838	(2,886)	14,217	48,914
6,850	-	6,850	5,793	4,324	103,997
<u>48,034</u>	<u>-</u>	<u>48,034</u>	<u>80,448</u>	<u>107,583</u>	<u>500,499</u>
<u>132,368</u>	<u>-</u>	<u>132,368</u>	<u>128,070</u>	<u>350,027</u>	<u>1,468,591</u>
<u>\$ 334,778</u>	<u>\$ 28,737</u>	<u>\$ 363,515</u>	<u>\$ 366,573</u>	<u>\$ 5,211,007</u>	<u>\$ 4,674,518</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**

September 29, 2023

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of **Escanaba Area Public Schools** (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated September 29, 2023, 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 Lobson LLC



ESCANABA AREA PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
U.S. Department of Agriculture				
Local Food for Schools	10.185	MDE	230985	\$ 9,154
Child Nutrition Cluster:				
National School Breakfast	10.553	MDE	231970	327,661
National School Breakfast	10.553	MDE	221970	49,155
Seamless Summer Option (SSO) - Breakfast	10.553	MDE	221971	409,477
National School Lunch	10.555	MDE	231960	637,439
National School Lunch	10.555	MDE	221960	91,287
Seamless Summer Option (SSO) - Lunch	10.555	MDE	221961	776,646
Supply Chain Assistance Funds (Round 1)	10.555	MDE	220910	43,800
Supply Chain Assistance Funds (Round 2)	10.555	MDE	220910	44,541
Supply Chain Assistance Funds (Round 3)	10.555	MDE	220910	24,649
Entitlement commodities (non-cash)	10.555	MDE	n/a	103,706
Entitlement commodities - bonus (non-cash)	10.555	MDE	n/a	971
Summer food service program	10.559	MDE	230900	8,007
Summer food service program	10.559	MDE	220900	24,727
Total Child Nutrition Cluster:				
2022-23 Child & Adult Food Program	10.558	MDE	231920	680
COVID-19 P-EBT Local Level Admin Cost Grant	10.649	MDE	220980	3,135
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I, Part A - Improving Basic Programs	84.010	MDE	231530-2223	670,460
Title I, Part A - Improving Basic Programs	84.010	MDE	221530-2122	584,217
Title I, Part A - Improving Basic Programs	84.010	GLAS	231530-2223	11,236
Title I Technical Assistance Grant (TAG)	84.010	CISD	n/a	20,000
Special Education Cluster:				
Special Education - Flowthrough - 2023	84.027	DSISD	230450-2223	33,695
Preschool Incentive	84.173A	DSISD	230460-2223	2,120
Indian Education	84.060A	Direct	-n/a-	36,487
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	230520-2223	158,314
Title II, Part A - Improving Teacher Quality	84.367	MDE	220520-2122	191,350
Title IV, Part A - SSAE	84.424	MDE	230750-2223	40,714
Title IV, Part A - SSAE	84.424	MDE	220750-2122	40,387

Accrued (Unearned) Revenue June 30, 2022	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Adjustment	Expenditures Year Ended June 30, 2023	Accrued (Unearned) Revenue June 30, 2023
\$ -	\$ -	\$ -	\$ -	\$ 556	\$ 556
-	327,661	-	-	327,661	-
-	49,155	-	-	49,155	-
14,278	14,278	409,477	-	-	-
14,278	391,094	409,477	-	376,816	-
-	637,439	-	-	637,439	-
-	91,287	-	-	91,287	-
20,093	20,093	776,646	-	-	-
-	-	-	(43,800)	43,800	-
-	44,541	-	-	44,541	-
-	24,649	-	-	-	(24,649)
-	103,706	-	-	103,706	-
-	971	-	-	971	-
20,093	922,686	776,646	(43,800)	921,744	(24,649)
-	-	-	-	8,007	8,007
13,117	24,727	13,117	-	11,610	-
13,117	24,727	13,117	-	19,617	8,007
47,488	1,338,507	1,199,240	(43,800)	1,318,177	(16,642)
-	680	-	-	680	-
-	3,135	-	-	3,135	-
47,488	1,342,322	1,199,240	(43,800)	1,322,548	(16,086)
-	557,539	-	-	616,250	58,711
102,390	106,338	519,156	-	3,948	-
-	11,236	-	-	11,236	-
-	-	-	-	10,335	10,335
102,390	675,113	519,156	-	641,769	69,046
-	33,695	-	-	33,695	-
-	2,120	-	-	2,120	-
-	35,815	-	-	35,815	-
-	30,886	-	-	30,886	-
15,195	43,724	15,195	-	28,529	-
-	96,438	-	-	97,152	714
6,385	6,925	129,855	-	540	-
6,385	103,363	129,855	-	97,692	714
-	34,803	-	-	37,445	2,642
40,387	40,387	40,387	-	-	-
40,387	75,190	40,387	-	37,445	2,642

continued...

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
U.S. Department of Education (Concluded)				
COVID-19 Education Stabilization Fund (ESF):				
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
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Medicaid Cluster:				
Medicaid Outreach	93.778	DSISD	-n/a-	8,887
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2022	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Adjustment	Expenditures Year Ended June 30, 2023	Accrued (Unearned) Revenue June 30, 2023
\$ 70,514	\$ 94,133	\$ 1,722,240	\$ -	\$ 23,619	\$ -
13,050	13,050	159,500	-	-	-
7,681	22,146	79,035	-	14,465	-
15,707	15,707	15,707	-	-	-
891,628	2,504,734	1,818,902	-	1,657,296	44,190
998,580	2,649,770	3,795,384	-	1,695,380	44,190
1,162,937	3,613,861	4,499,977	-	2,567,516	116,592
-	8,887	-	-	8,887	-
\$ 1,210,425	\$ 4,965,070	\$ 5,699,217	\$ (43,800)	\$ 3,898,951	\$ 100,506

concluded

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, 2023. 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. ADJUSTMENT

The Supply Chain Assistance Funds (Round 1) passthrough grants from the Michigan Department of Education has an adjustment reported on the SEFA of \$(43,800). The adjustment was due to the prior year SEFA omitting the unearned revenue that was collected in the prior year.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH AGENCIES

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

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



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

September 29, 2023

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of **Escanaba Area Public Schools** (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 29, 2023.

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 Loborn 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**

September 29, 2023

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 each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are 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 each of its major federal programs for the year ended June 30, 2023.

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 "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

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 major programs and type of auditors' report issued on compliance for each major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
10.553, 10.555, and 10.559	Child Nutrition Cluster	Unmodified
84.425	Education Stabilization Fund	Unmodified

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, 2023

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, 2023

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, 2023

No matters were reported.



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 29, 2023

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of **Escanaba Area Public Schools** (the "District") as of and for the year ended June 30, 2023, and have issued our report thereon dated September 29, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 20, 2023, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated September 29, 2023. In addition, we noted certain other matters which is included in Attachment A to this letter.



Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Significant Risks Identified

We have identified the risks of management override of internal control, revenue recognition, and the completeness of subscription-based information technology arrangements (SBITAs) as significant risks, and have obtained an understanding of the District's related controls, including control activities, relevant to such risks.

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

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

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

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

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the single-employer other postemployment benefits plan are based on historical trends and industry standards.

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

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

Significant Difficulties Encountered During the Audit

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

Uncorrected and Corrected Misstatements

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

The schedule of adjustments passed is included with management's written representations in Attachment C to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Disagreements with Management

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

Representations Requested from Management

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

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Other Information in Documents Containing Audited Financial Statements

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

Upcoming Changes in Accounting Standards

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

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

Very truly yours,

Rehmann Johnson LLC

ESCANABA AREA PUBLIC SCHOOLS

Attachment A – Comments and Recommendations

For the June 30, 2023 Audit

During our audit, we became aware of certain other matter that is an opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding the matter. Our consideration of the District's internal control over financial reporting is described in our report, dated September 29, 2023, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated September 29, 2023, on the financial statements of Escanaba Area Public Schools.

Excess Fund Balance

The United States Department of Agriculture (USDA) requires that the ending fund balance of a recipient district's food service fund does not exceed three months' average of operating expenses (7 CFR Part 210.14(b)). As of June 30, 2023, the District's food service fund was carrying fund balance in excess of the USDA requirement.



ESCANABA AREA PUBLIC SCHOOLS

Attachment B – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2023 Audit

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

GASB 100 ■ Accounting Changes and Error Corrections

Effective 06/15/2024 (your FY 2024)

This standard clarifies the presentation and disclosure requirements for prior period adjustments to beginning net position. We do not expect this standard to have any significant effect on the District.

GASB 101 ■ Compensated Absences

Effective 12/15/2024 (your FY 2025)

This standard revises the liability governments record for compensated absences payable to include any sick, vacation, personal time, or other PTO reasonably expected to be used by employees or paid out to them at termination.



ESCANABA AREA PUBLIC SCHOOLS

Attachment C – Management Representations

For the June 30, 2023 Audit

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

ESCANABA AREA PUBLIC SCHOOLS

District Administration Office
1500 Ludington Street
Escanaba, MI 49829

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

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

September 29, 2023

Rehmann Robson LLC
2330 East Paris Ave SE
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of **Escanaba Area Public Schools** (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position and results of operations, and the budgetary comparison for the general fund of the District in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

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

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 29, 2023:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 20, 2023, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
4. With respect to any assistance you provided in drafting the financial statements and related notes, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;

Equal Opportunity Employer

The Escanaba Area Public School District does not discriminate on the basis of race, color, religion, national origin, sex, age, disability, height, weight, marital status or any other legally protected characteristics in its programs and activities, including employment opportunities.

- c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 6. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
 7. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
 8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
 9. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
 10. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
 11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
 12. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
 13. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
 14. All funds and activities are properly classified.
 15. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
 16. All components of net position and fund balance classifications have been properly reported.
 17. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

18. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
19. All interfund and intra-entity transactions and balances have been properly classified and reported.
20. Deposit and investment risks have been properly and fully disclosed.
21. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
22. All required supplementary information is measured and presented within the prescribed guidelines.
23. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
24. We are responsible for the fair presentation of the District's proportionate share of the net pension and other postemployment benefit liabilities of the Michigan Public School Employees Retirement System (MPSERS) and related amounts. We provided MPSERS with complete and accurate information regarding the District's participation in the plan, and have reviewed the information provided by MPSERS for inclusion in the District's financial statements.
25. There were no omissions from the participants' data provided to the single-employer OPEB Plan's actuary for the purpose of determining the actuarial present value of the Plan's benefit obligations and the other actuarially determined amounts in the financial statements.
26. The single-employer OPEB Plan's administrator agrees with the actuarial methods and assumptions and methods used by the actuary for funding purposes and for determining the Plan's benefit obligations and has no knowledge or belief that such methods or assumptions are inappropriate in the circumstances. We did not give any, nor cause any, instructions to be given to the Plan's actuary with respect to the values of amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of the Plan's actuary.
27. The following have been properly recorded and disclosed in the financial statements:
 - a. The actuarial methods or assumptions used in calculating amounts recorded or disclosures in the financial statements.
 - b. Changes in the single-employer OPEB Plan's provisions between the actuarial valuation date and the date of this letter.
28. All required filings of the single-employer OPEB Plan's documents with the appropriate agencies have been made.
29. In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past several years, the District has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, approximately \$1.7 million was expended and recognized as revenue during the current fiscal year. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.

Information Provided

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

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

Supplementary Information in Relation to the Financial Statements as a Whole

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

Required Supplementary Information

51. With respect to the required supplementary information accompanying the financial statements:

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

Uniform Guidance (2 CFR 200)

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

- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance.
- b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
- c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
- d. The methods of measurement or presentation have not changed from those used in the prior period.
- e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
- g. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
- h. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
- i. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- j. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and

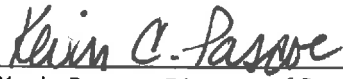
grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.

- k. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- l. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- m. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- n. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- o. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- p. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance.
- q. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- u. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- v. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- w. The reporting package does not contain personally identifiable information.

- x. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- y. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- z. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.



Coby Fletcher, Superintendent



Kevin Pascoe, Director of Business Services

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Adjustments Passed (SOAP)

For the June 30, 2023 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures
General fund					
Unrecorded lease issuance and expenditure	\$ -	\$ -	\$ -	\$ (41,584)	\$ (41,584)
Misstatement as a percentage of total revenues - general fund	0.00%	0.00%	0.00%	-0.14%	-0.14%
Governmental activities					
Cumulative effect of items noted above	\$ -	\$ -	\$ -	\$ (41,584)	\$ (41,584)
Unrecorded lease asset/liability	(38,118)	(38,442)	-	41,584	41,260
Total governmental activities	<u>\$ (38,118)</u>	<u>\$ (38,442)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (324)</u>
Misstatement as a percentage of total liabilities and deferred inflows of resources - governmental activities	-0.05%	-0.05%	0.00%	0.05%	0.05%