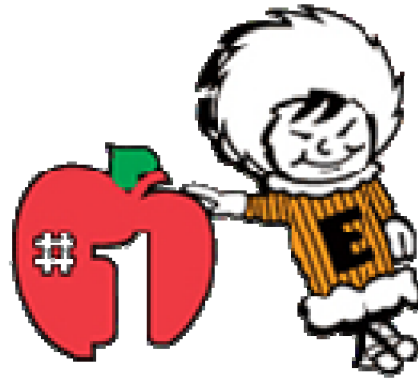


Escanaba Area
Public Schools



Year Ended
June 30, 2024

Financial
Statements
and
Single Audit Act
Compliance

Rehmann

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ESCANABA AREA PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 11, 2024

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Escanaba Area Public Schools** (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2024, 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.

Rehmann Lobson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Escanaba Area Public School's (the "District") management's discussion and analysis is intended to assist the reader in focusing on significant issues, provide an overview of the District's financial activity, identify changes in the District's financial position, and its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ended June 30, 2024. 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 funds, 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 assets or long-term liabilities.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

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, 2024, the District reported a deficit net position of \$8,280,189. The table below provides a summary of the District's net position as of June 30:

	Net Position		
	Governmental Activities		Percent Change
	2024	2023	
Assets			
Current and other assets	\$ 14,976,297	\$ 13,800,435	8.5%
Capital assets, net	33,815,169	32,947,030	2.6%
Total assets	48,791,466	46,747,465	4.4%
Deferred outflows of resources	14,011,631	17,752,851	-21.1%
Liabilities			
Other liabilities	6,322,927	6,542,547	-3.4%
Long-term liabilities	53,541,218	65,921,500	-18.8%
Total liabilities	59,864,145	72,464,047	-17.4%
Deferred inflows of resources	11,219,141	7,467,352	50.2%

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	\$ 21,456,290	\$ 18,723,510	14.6%
Restricted for:			
Debt service	369,403	277,128	33.3%
Food service	856,913	695,339	23.2%
OPEB	673,496	-	100.0%
Unrestricted (deficit)	<u>(31,636,291)</u>	<u>(35,127,060)</u>	<u>-9.9%</u>
Total net position	<u>\$ (8,280,189)</u>	<u>\$ (15,431,083)</u>	<u>46.3%</u>

concluded

Net investment in capital assets is the original cost of the District's capital assets, less accumulated depreciation/amortization/amortization, less the long-term debt outstanding used to finance the acquisition of those assets. The original cost of capital assets is approximately \$57,130,000 and \$55,288,000 for June 30, 2024 and 2023, respectively. The accumulated depreciation/amortization is the accumulation of depreciation/amortization expense since acquisition. In accordance with accounting principles generally accepted in the United States of America (GAAP), depreciation/amortization 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/amortization/amortization was approximately \$23,314,000 and \$22,341,000 for the years ended June 30, 2024 and 2023, respectively. Total outstanding debt related to capital assets is approximately \$12,721,000 and \$14,775,000 at 2024 and 2023, 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, debt service and OPEB are by their nature restricted for use by laws or regulations of the State of Michigan. These balances totaled approximately \$857,000, \$369,000 and \$462,000, respectively for 2024, and approximately \$695,000, \$277,000 and \$0, respectively for 2023.

The remaining amount of net position, a deficit of approximately \$31,425,000 and \$35,127,000 for 2024 and 2023, 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 (assets) liabilities and related deferred inflows and outflows of resources.

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
	2024	2023	
Program revenues			
Charges for services - local	\$ 568,881	\$ 620,966	-8.4%
Operating grants - federal, state, and local	10,948,721	10,910,668	0.3%
Total program revenues	11,517,602	11,531,634	-0.1%
General revenues			
Property taxes - operations	4,245,865	4,163,090	2.0%
Property taxes - debt retirement	2,013,244	1,877,291	7.2%
State of Michigan aid - unrestricted	16,525,495	15,854,227	4.2%
Other revenues	632,694	627,874	0.8%
Total general revenues	23,417,298	22,522,482	4.0%
Total revenues	34,934,900	34,054,116	2.6%
Expenses			
Instruction	14,968,319	15,538,430	-3.7%
Supporting services	8,774,807	8,761,895	0.1%
Community services	80,750	84,474	-4.4%
Food services	1,618,318	1,396,899	15.9%
Student activities	337,374	364,150	-7.4%
Interest on long-term liabilities	628,267	726,374	-13.5%
Unallocated depreciation/ amortization	1,376,171	1,218,750	12.9%
Total expenses	27,784,006	28,090,972	-1.1%
Change in net position	7,150,894	5,963,144	19.9%
Net position:			
Beginning of year	(15,431,083)	(21,394,227)	27.9%
End of year	\$ (8,280,189)	\$ (15,431,083)	46.3%

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Operating grants - federal, state, and local revenues accounted for 31% or approximately \$10,949,000 of the revenue available. Operating grant revenue remained consistent overall with the prior year level.

Unrestricted state aid revenue accounted for 47% or approximately \$16,525,000 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. The District experienced both an increase in student enrollment and the per-pupil foundation allowance by \$458 per student.

Property tax revenues accounted for 18% or approximately \$6,259,000 of the total revenue. Of the total property tax revenues reported, approximately \$4,246,000 was allocated to operations and approximately \$2,013,000 was allocated to debt retirement. Property tax revenue increased as a result of increasing property tax valuations.

The expense portion of the table shows the financial support of each functional area required during the year. Expenses decreased from the prior fiscal year by approximately \$307,000. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$14,968,000 or 54% of total expenses. Support services costs are approximately \$8,775,000 or 32% of total expenses, which include such items as transportation, maintenance, security, supervision, counseling, athletics, and a variety of similar services that support the District's mission of educating children. The main reasons for the decrease in overall expenses was due to the discontinuation of allocated costs relating to the MPSERS one-time deposit funding by the State.

Financial Analysis of the District's Funds

The overall fund balance of the governmental funds increased by approximately \$695,000 from the prior year. The general fund balance decreased by approximately \$377,000, the public improvement capital projects fund increased by approximately \$973,000 and the nonmajor governmental funds increased approximately \$99,000. The general fund decrease related mainly to the transfer out of funds specifically to the public improvement capital projects fund, which led to the increase in fund balance for that fund. The nonmajor governmental funds increase related mainly to the Food Service Fund.

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

General Fund Budgeting Highlights

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 \$732,000, or 3% 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 District Transportation Costs 22I funding in the amount of approximately \$279,000. The District also experienced an increase in student enrollment compared to original budget assumptions which assumed a decline resulting in an increase of unrestricted state revenue in approximately \$480,000.

Revenue from local sources - This category's budget was increased by approximately \$444,000, 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 and an increase in property taxes as a result of taxable values.

Basic instruction expenditures - This budget for these costs was decreased by approximately \$1,067,000, or 7%, over the course of the school year. The main reason for the decrease in the budget was due to costs associated with the MPSERS one-time deposit funding being discontinued for fiscal year 2023-24 in the amount of approximately \$1.23 million for prior year.

Capital outlay expenditures - This budget for these costs was increased by approximately \$348,000, or 142%, over the course of the school year. The main reason for the increase in the budget was due to the utilization of mental health and student safety funding for security enhancements, and the purchase of three used school buses which became available for purchase during the school year.

Transfers out - This budget for interfund transfers out was increased by approximately \$2,435,000 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 High School Boiler Replacement, High School Bleacher Renovation, High School Tennis Courts & Pavilion, and the purchase of a building for the future site of the Escanaba Student Success Center.

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

Revenue from state source - This category came in approximately \$140,000 under the final amended budget. The main reason for this variance was due to unearned At-Risk 31a funding being carried forward into fiscal year 2024-25.

Basic instruction expenditures - The actual costs for this category came in under the final amended budget by approximately \$197,000. 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.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Added needs expenditures - The actual costs for this category came in under the final amended budget by approximately \$219,000. The main reason for this variance was due to unearned At-Risk 31a funding during the current year, to be carried into fiscal year 2025 for use.

Operations and maintenance expenditures - The actual costs for this category came in under the final amended budget by approximately \$176,000. 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)
2023-2024	30,261,237	30,638,609	4,831,445	2,122	10

In general fund operations, the total revenue was approximately \$30,215,000. This is above the original budgeted revenues of approximately \$29,180,000 and below the final amended budgeted revenues of approximately \$30,445,000. The actual expenditures of the general fund operations were approximately \$28,056,000. This is below the original budgeted expenditures of approximately \$29,077,000 and below the final budget of approximately \$29,102,000.

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 less 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	\$ 28,056,317	81.9%
Public Improvement	1,529,170	4.5%
Nonmajor governmental funds	4,662,521	13.6%
Total	\$ 34,248,008	100%

Governmental Fund Revenues

Governmental fund revenues totaled approximately \$34,935,000. Below is a summary of the governmental fund revenues by source and their percentages of total governmental funds:

	Revenues	Percentage
Local sources	\$ 7,628,084	21.8%
State sources	24,114,868	69.0%
Federal sources	2,737,141	7.8%
Other	454,807	1.3%
Total	\$ 34,934,900	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 2,122 and 2,112 for fiscal 2024 and 2023, respectively. The District experienced an overall increase in state funding of approximately \$1,805,000, mainly due to mental health and student safety categorical state funding in the amount of approximately \$694,000, an increase in MPSERS UAAL Rate Stabilization funding in the amount of approximately \$242,000, an increase in MPSERS normal cost offset funding in the amount of approximately \$290,000, District transportation costs funding in an amount of approximately \$279,000, and increase in special education funding in an amount of approximately \$165,000, and a \$458 per-pupil foundation allowance amounting to approximately \$972,000, offset by the discontinuation in MPSERS one-time deposit funding in the amount of approximately \$1.23 million.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Property Taxes

The District levies 18 mills of property taxes on all non-homestead property and 6 mills on commercial personal property located within the District for general fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the state equalized value, which is approximately 50% of the market value. The fiscal 2024 non-homestead and personal property tax levies totaled approximately \$4,246,000.

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 2024 was approximately \$2,013,000.

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 2024, the District expended approximately \$643,000, \$108,000 and \$1,206,000 for the Title I, Title II and At Risk programs, respectively. In addition the District expended approximately \$1,329,000 of funding received from the U.S. Department of Agriculture to support the District's food service program.

Enrollment

The District's 2023-2024 blended enrollment totaled 2,122, which is an increase of 10 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, 2024, the District had approximately \$57,130,000 invested in land and building, machinery and equipment, vehicles and buses. Approximately \$23,314,000 has been depreciated/amortized. Net book value totals approximately \$33,816,000. The years of construction of the District buildings and improvements ranges from 1931 to 2024. 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, 2024, the District expended approximately \$2,311,000 for capital asset additions including approximately \$1,558,000 for buildings and improvements, \$392,000 for machinery and equipment, and \$237,000 for vehicles and buses.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Debt Administration. As of June 30, 2024, the District had approximately \$12,683,000 in bonds and bond premium outstanding from capital projects and approximately \$37,000 in installment purchase agreements outstanding. The District collects property taxes to retire our bonded debt. Therefore, total growth in valuation is an important element in determining the District's ability to retire bonded debt and/or to incur additional debt.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the District's 2025 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 2023-2024, the blended count increased to 2,122 students. Enrollment is also expected to increase into the 2024-2025 school year as the Upper Peninsula of Michigan's employment opportunities continue to improve. The 2024-2025 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 2025 budget. The Board of Education adopted a balanced budget for the fiscal year 2024-2025. 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, 2024

	Governmental Activities
Assets	
Cash and investments	\$ 9,478,167
Receivables	4,790,840
Inventory	33,794
Net other postemployment benefit asset	673,496
Capital assets not being depreciated/amortized	720,597
Capital assets being depreciated/amortized, net	<u>33,094,572</u>
Total assets	<u>48,791,466</u>
Deferred outflows of resources	
Deferred charge on bond refunding	361,729
Deferred pension amounts	11,156,426
Deferred other postemployment benefit amounts	<u>2,493,476</u>
Total deferred outflows of resources	<u>14,011,631</u>
Liabilities	
Accounts payable and accrued liabilities	3,268,971
Unearned revenue	726,995
State aid anticipation notes payable	2,326,961
Bonds, notes and other long-term liabilities:	
Due within one year	2,214,052
Due in more than one year	11,816,479
Net pension liability (due in more than one year)	39,299,078
Total postemployment benefit liability (due in more than one year)	<u>211,609</u>
Total liabilities	<u>59,864,145</u>
Deferred inflows of resources	
Deferred pension amounts	5,417,872
Deferred other postemployment benefit amounts	<u>5,801,269</u>
Total deferred inflows of resources	<u>11,219,141</u>
Net position	
Net investment in capital assets	21,456,290
Restricted for:	
Debt service	369,403
Food service	856,913
Other postemployment benefits	673,496
Unrestricted (deficit)	<u>(31,636,291)</u>
Total net position	<u><u>\$ (8,280,189)</u></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, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 14,968,319	\$ -	\$ 8,151,448	\$ (6,816,871)
Supporting services	8,774,807	106,784	1,026,278	(7,641,745)
Community services	80,750	-	-	(80,750)
Food services	1,618,318	122,643	1,770,995	275,320
Student activities	337,374	339,454	-	2,080
Interest on long-term liabilities	628,267	-	-	(628,267)
Unallocated depreciation/amortization	1,376,171	-	-	(1,376,171)
Total governmental activities	<u>\$ 27,784,006</u>	<u>\$ 568,881</u>	<u>\$ 10,948,721</u>	<u>(16,266,404)</u>
General revenues				
Property taxes - operations				4,245,865
Property taxes - debt service				2,013,244
State of Michigan aid - unrestricted				16,525,495
Other revenues				632,694
Total general revenues				<u>23,417,298</u>
Change in net position				7,150,894
Net position, beginning of year				<u>(15,431,083)</u>
Net position, end of year				<u>\$ (8,280,189)</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, 2024

	General Fund	Public Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 6,284,821	\$ 1,620,505	\$ 1,572,841	\$ 9,478,167
Accounts receivable	332,521	-	3,575	336,096
Due from other funds	-	-	17	17
Due from other governments	4,404,295	-	50,449	4,454,744
Inventory	-	-	33,794	33,794
Total assets	\$ 11,021,637	\$ 1,620,505	\$ 1,660,676	\$ 14,302,818
Liabilities				
Accounts payable	\$ 74,096	\$ 19,137	\$ 2,844	\$ 96,077
Salaries payable	1,459,941	-	-	1,459,941
Accrued liabilities	1,611,876	-	25,034	1,636,910
Due to other funds	17	-	-	17
Unearned revenues	717,301	-	9,694	726,995
State aid anticipation notes payable	2,326,961	-	-	2,326,961
Total liabilities	6,190,192	19,137	37,572	6,246,901
Fund balances				
Nonspendable for inventory	-	-	33,794	33,794
Restricted:				
Debt service	-	-	445,446	445,446
Food service	-	-	823,119	823,119
Committed:				
Student groups	-	-	320,606	320,606
Assigned:				
Capital projects	-	1,601,368	-	1,601,368
Debt service	-	-	139	139
Unassigned	4,831,445	-	-	4,831,445
Total fund balances	4,831,445	1,601,368	1,623,104	8,055,917
Total liabilities and fund balances	\$ 11,021,637	\$ 1,620,505	\$ 1,660,676	\$ 14,302,818

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, 2024

Fund balances - total governmental funds	\$ 8,055,917
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/amortized	720,597
Capital assets being depreciated/amortized, net	33,094,572
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	(12,720,608)
Unamortized deferred charge on bond refunding	361,729
Accrued interest on bonds payable	(76,043)
Compensated absences and early retirement incentives payable	(1,309,923)
Certain pension and OPEB-related amounts, such as the net pension liability, net other postemployment benefit asset/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	(39,299,078)
Deferred outflows of resources related to the net pension liability	11,156,426
Deferred inflows of resources related to the net pension liability	(5,417,872)
Net other postemployment benefit asset	673,496
Total other postemployment benefit liability	(211,609)
Deferred outflows related to the net other postemployment benefit asset/liability	2,493,476
Deferred inflows related to the net other postemployment benefit asset/liability	(5,801,269)
Net position of governmental activities	<u>\$ (8,280,189)</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, 2024

	General Fund	Public Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 5,031,193	\$ 59,686	\$ 2,537,205	\$ 7,628,084
State sources	23,321,279	-	793,589	24,114,868
Federal sources	1,407,958	-	1,329,183	2,737,141
Other sources	454,807	-	-	454,807
Total revenues	30,215,237	59,686	4,659,977	34,934,900
Expenditures				
Current:				
Instructional services:				
Basic instruction	13,426,050	-	-	13,426,050
Added needs	4,022,553	-	-	4,022,553
Supporting services:				
Pupil services	2,169,642	-	-	2,169,642
Instructional staff	934,734	-	-	934,734
General administration	480,677	-	-	480,677
School administration	1,522,193	-	-	1,522,193
Business services	556,018	-	-	556,018
Operations and maintenance	2,007,554	-	-	2,007,554
Transportation	1,443,498	-	-	1,443,498
Central services	198,983	-	-	198,983
Athletics	587,642	-	-	587,642
Community services	86,805	-	-	86,805
Food services	-	-	1,710,980	1,710,980
Student activities	-	-	337,374	337,374
Debt service:				
Principal	36,532	-	1,930,000	1,966,532
Interest and fiscal charges	1,894	-	552,854	554,748
Capital outlay	581,542	1,529,170	131,313	2,242,025
Total expenditures	28,056,317	1,529,170	4,662,521	34,248,008
Revenues over (under) expenditures	2,158,920	(1,469,484)	(2,544)	686,892
Other financing sources (uses)				
Transfers in	46,000	2,434,292	148,000	2,628,292
Transfers out	(2,582,292)	-	(46,000)	(2,628,292)
Proceeds from the sale of capital assets	-	7,695	-	7,695
Total other financing sources (uses)	(2,536,292)	2,441,987	102,000	7,695
Net changes in fund balances	(377,372)	972,503	99,456	694,587
Fund balances, beginning of year as previously reported	5,208,817	-	2,152,513	7,361,330
Change within financial reporting entity	-	628,865	(628,865)	-
Fund balances, beginning of year as adjusted	5,208,817	628,865	1,523,648	7,361,330
Fund balances, end of year	\$ 4,831,445	\$ 1,601,368	\$ 1,623,104	\$ 8,055,917

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, 2024

Net changes in fund balances - total governmental funds \$ 694,587

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/amortization expense. In addition, donated capital assets and gains (losses) on disposal of capital assets are not reported in the governmental funds.

Capital assets purchased/constructed	2,311,476
Depreciation/amortization expense	(1,376,171)
Proceeds from the sale of capital assets	(7,695)
Loss on the sale of capital assets	(59,471)

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	1,966,532
Amortization of bond premium, deferred charge on bond refunding, and change in accrued interest	54,721

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	111,376
Change in net pension liability and related deferred amounts	1,019,011
Change in the net other postemployment benefit asset/liability and related deferred amounts	<u>2,436,528</u>

Change in net position of governmental activities \$ 7,150,894

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, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 4,604,439	\$ 5,048,107	\$ 5,031,193	\$ (16,914)
State sources	22,729,364	23,461,030	23,321,279	(139,751)
Federal sources	1,436,772	1,514,082	1,407,958	(106,124)
Other sources	409,660	421,325	454,807	33,482
Total revenues	<u>29,180,235</u>	<u>30,444,544</u>	<u>30,215,237</u>	<u>(229,307)</u>
Expenditures				
Current:				
Instructional services:				
Basic instruction	14,689,329	13,622,562	13,426,050	(196,512)
Added needs	4,058,514	4,241,823	4,022,553	(219,270)
Supporting services:				
Pupil services	2,188,208	2,236,993	2,169,642	(67,351)
Instructional staff	1,026,094	1,011,356	934,734	(76,622)
General administration	501,096	537,810	480,677	(57,133)
School administration	1,442,542	1,536,143	1,522,193	(13,950)
Business services	545,283	597,323	556,018	(41,305)
Operations and maintenance	2,069,449	2,183,305	2,007,554	(175,751)
Transportation	1,469,954	1,523,696	1,443,498	(80,198)
Central services	88,315	226,859	198,983	(27,876)
Athletics	610,112	628,125	587,642	(40,483)
Community services	104,556	125,020	86,805	(38,215)
Debt service:				
Principal	36,532	36,532	36,532	-
Interest and fiscal charges	1,895	1,895	1,894	(1)
Capital outlay	244,766	592,744	581,542	(11,202)
Total expenditures	<u>29,076,645</u>	<u>29,102,186</u>	<u>28,056,317</u>	<u>(1,045,869)</u>
Revenues over expenditures	<u>103,590</u>	<u>1,342,358</u>	<u>2,158,920</u>	<u>816,562</u>
Other financing sources (uses)				
Transfers in	46,000	46,000	46,000	-
Transfers out	(147,500)	(2,582,292)	(2,582,292)	-
Total other financing sources (uses)	<u>(101,500)</u>	<u>(2,536,292)</u>	<u>(2,536,292)</u>	<u>-</u>
Net change in fund balance	2,090	(1,193,934)	(377,372)	816,562
Fund balance, beginning of year	5,208,817	5,208,817	5,208,817	-
Fund balance, end of year	<u>\$ 5,210,907</u>	<u>\$ 4,014,883</u>	<u>\$ 4,831,445</u>	<u>\$ 816,562</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, 2024

Assets

Cash and cash equivalents	\$ 949,511
Interest receivable	9,759
Investments - at fair value:	
Common stocks	4,499,509
Mutual funds	1,465,470
Bonds	<u>1,117,258</u>
Total assets	<u>8,041,507</u>
Net position restricted for scholarships	<u>\$ 8,041,507</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, 2024

Additions

Contributions	\$ 215,994
Investment income:	
Interest and dividends	170,315
Net increase in fair value of investments	734,880
Total investment income	<u>905,195</u>
Total additions	<u>1,121,189</u>
Deductions	
Scholarships and trophies	287,999
Trustee fees	44,239
Total deductions	<u>332,238</u>
Change in net position	788,951
Net position, beginning of year	<u>7,252,556</u>
Net position, end of year	<u>\$ 8,041,507</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, 2024.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

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

The District reports the following major governmental funds:

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

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

Additionally, the District reports the following fund types:

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

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

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

The *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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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.

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, 2024.

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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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.

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

Subscription-Based Information Technology Arrangements (SBITA)

The District has a noncancellable subscription-based information technology arrangement. The District recognizes an intangible right-to-use subscription asset in the government-wide financial statements.

At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) subscription term, and (3) subscription payments. The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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, 2024 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.

Compensated Absences and Early Retirement Benefits

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

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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.

Fund Balances

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

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Interfund Transactions

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

Property Taxes

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2023 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 liability and other postemployment benefit asset, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with 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 77% of the District's general fund revenue during the 2024 fiscal year.

3. DEFICIT NET POSITION

Governmental activities reported a deficit in unrestricted net position in the amount of \$31,424,682 at June 30, 2024. Total net position amounted to a deficit of \$8,280,189.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

4. BUDGETARY INFORMATION

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

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

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the District were adopted at the functional level by the Board of Education for all governmental funds, which is the legal level of control. During the year ended June 30, 2024, the District did not incur expenditures in excess of the amounts appropriated.

5. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2024:

	Totals
Statement of Net Position	
Cash and investments	\$ 9,478,167
Statement of Fiduciary Net Position	
Private Purpose Trusts:	
Cash and cash equivalents	949,511
Investments	<u>7,082,237</u>
Total	<u>\$ 17,509,915</u>
Deposits and Investments	
Bank deposits (checking accounts, savings accounts)	<u>\$ 6,405,989</u>
Investments in securities and mutual funds:	
Pooled investments	3,836,332
Common stocks	4,499,509
Fixed income securities	1,650,327
Mutual funds	<u>1,117,258</u>
Total investments in securities and mutual funds	<u>11,103,426</u>
Cash on hand	<u>500</u>
Total	<u>\$ 17,509,915</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Michigan law authorizes the District to deposit and invest in:

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

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

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

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

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

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

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

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$5,947,233 of the District's bank balance of \$6,233,915 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The District chooses to disclose its investments by investment type. As of June 30, 2024, the District had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 3,836,332	AAAm (S&P)
Common stocks	N/A	4,499,509	N/A
Fixed income securities	N/A	1,650,327	N/A
Mutual funds	N/A	<u>1,117,258</u>	N/A
Total		<u>\$ 11,103,426</u>	

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

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

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

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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, 2024:

Investment Type	Level 1	Level 2	Level 3	Total
Common stocks	\$ 4,499,509	\$ -	\$ -	\$ 4,499,509
Mutual funds	1,650,327	-	-	1,650,327
Bonds	-	1,117,258	-	1,117,258
Total	<u>\$ 6,149,836</u>	<u>\$ 1,117,258</u>	<u>\$ -</u>	7,267,094
Investments carried at net asset value:				
Michigan CLASS government investment pool				<u>3,836,332</u>
Total investments at fair value				<u>\$ 11,103,426</u>

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

At year end, the net asset value of the District's investment in Michigan CLASS was \$3,836,332. 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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

6. RECEIVABLES

Receivable as of June 30, 2024 are comprised of the following:

	Amount
Accounts receivable	\$ 336,096
Due from other governments	4,454,744
	<u>4,790,840</u>
	<u>\$ 4,790,840</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2024, are comprised of the following:

	Amount
Accounts payable	\$ 96,077
Salaries payable	1,459,941
Accrued liabilities	1,636,910
Accrued Interest on long-term debt	76,043
	<u>3,268,971</u>
Total accounts payable and accrued liabilities	<u>\$ 3,268,971</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, 2024, the food service fund had an outstanding receivable from the general fund of \$17.

For the year ended June 30, 2024, interfund transfers consisted of the following:

	Transfers In			
	General Fund	Public Improvement Fund	Nonmajor governmental funds	Total
Transfers Out				
General fund	\$ -	\$ 2,434,292	\$ 148,000	\$ 2,582,292
Nonmajor governmental funds	46,000	-	-	46,000
	<u>46,000</u>	<u>2,434,292</u>	<u>148,000</u>	<u>2,628,292</u>
Total	<u>\$ 46,000</u>	<u>\$ 2,434,292</u>	<u>\$ 148,000</u>	<u>\$ 2,628,292</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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. A transfer was made from the general fund to the public improvement fund to provide resources for future capital projects.

9. CAPITAL ASSETS

Capital assets activity was as follows for the year ended June 30, 2024:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets, not being depreciated/amortized:				
Land	\$ 720,597	\$ -	\$ -	\$ 720,597
Capital assets, being depreciated/amortized:				
Buildings and improvements	49,877,279	1,558,464	(17,987)	51,417,756
Machinery and equipment	2,603,763	391,581	(188,307)	2,807,037
Vehicles and buses	2,086,214	237,232	(263,469)	2,059,977
Subscription asset (Note 12)	-	124,199	-	124,199
	<u>54,567,256</u>	<u>2,311,476</u>	<u>(469,763)</u>	<u>56,408,969</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(19,145,016)	(1,054,706)	15,064	(20,184,658)
Machinery and equipment	(1,563,031)	(211,334)	124,064	(1,650,301)
Vehicles and buses	(1,632,776)	(110,131)	263,469	(1,479,438)
Subscription asset (Note 12)	-	-	-	-
	<u>(22,340,823)</u>	<u>(1,376,171)</u>	<u>402,597</u>	<u>(23,314,397)</u>
Total capital assets being depreciated/amortized, net	<u>32,226,433</u>	<u>935,305</u>	<u>(67,166)</u>	<u>33,094,572</u>
Governmental activities capital assets, net	<u>\$ 32,947,030</u>	<u>\$ 935,305</u>	<u>\$ (67,166)</u>	<u>\$ 33,815,169</u>

Depreciation/amortization expense of \$1,376,171 is reported as unallocated in the statement of activities.

The District had construction commitments of approximately \$1.2 million as of year-end.

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, 2024 was as follows:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
State aid anticipation notes payable	\$ 2,294,177	\$ 3,250,000	\$ (3,217,216)	\$ 2,326,961

The balance at June 30, 2024 includes accrued interest of \$76,961.

The notes which carry an interest rate of 3.46%, 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, 2024:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Due Within One Year
Governmental activities					
General obligation bonds	\$ 14,015,000	\$ -	\$ (1,930,000)	\$ 12,085,000	\$ 1,950,000
Notes from direct borrowings and direct placements	73,999	-	(36,532)	37,467	37,467
	<u>14,088,999</u>	<u>-</u>	<u>(1,966,532)</u>	<u>12,122,467</u>	<u>1,987,467</u>
Bond premium	685,750	-	(87,609)	598,141	94,858
Early retirement incentives and compensated absences	1,421,299	139,649	(251,025)	1,309,923	131,727
	<u>1,421,299</u>	<u>139,649</u>	<u>(251,025)</u>	<u>1,309,923</u>	<u>131,727</u>
Total	<u>\$ 16,196,048</u>	<u>\$ 139,649</u>	<u>\$ (2,305,166)</u>	<u>\$ 14,030,531</u>	<u>\$ 2,214,052</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%

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%.

\$ 11,025,000

\$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%.

1,060,000

Total general obligation bonds

12,085,000

Premium on bonds

598,141

Total

\$ 12,683,141

Notes from direct borrowings and direct placements

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

\$ 37,467

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, 2024, 40 retirees were receiving or eligible to begin receiving the early retirement incentive, with \$65,400 being paid to these individuals during 2023-2024. The total early retirement incentive liability at June 30, 2024 was \$140,100.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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, 2024 was \$1,169,823.

The estimated debt service requirements on bonded debt for principal and interest to maturity as of June 30, 2024 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
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	1,935,000	149,525	2,084,525
2030-2033	2,335,000	115,875	2,450,875
Total	\$ 12,085,000	\$ 1,601,650	\$ 13,686,650

The estimated debt service requirements on installment purchase agreements (direct placement notes) for principal and interest to maturity as of June 30, 2024 are as follows:

Year Ending June 30,	Installment Purchase Agreement		
	Principal	Interest	Total
2025	\$ 37,467	\$ 959	\$ 38,426

The debt service requirements for accrued compensated absences are dependent upon future employee retirements and terminations. Thus, future payments are unknown at June 30, 2024. Compensated absences and early retirement incentives are generally liquidated by the general fund.

12. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District is involved in one arrangement that qualifies as a long-term subscription-based information technology ("SBITA") arrangement. Below is a summary of the nature of this arrangement. This arrangement qualifies as an intangible, right-to-use subscription assets as the District has the control of the right to use another party's IT software and the noncancelable term of the arrangement surpasses one year. The District has fully prepaid for the right to use these assets.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Remaining Term of Arrangement

Asset Type

Subscription asset

5 years

The right-to-use asset and the related activity are included in Note 9, Capital Assets.

13. 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.

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.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

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

Other Postemployment Benefits Provided

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022 valuation will be amortized over an 16-year period beginning October 1, 2022 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	20.16% - 23.03%
Member Investment Plan (MIP)	3.00% - 7.00%	20.16% - 23.03%
Pension Plus	3.00% - 6.40%	17.24% - 19.17%
Pension Plus 2	6.20%	19.95% - 20.10%
Defined Contribution	0.00%	13.75% - 13.90%

For the year ended June 30, 2024, required and actual contributions from the District to the pension plan were \$4,801,565, which included \$2,360,448, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.07% - 8.31%
Personal Healthcare Fund (PHF)	0.00%	7.06% - 7.21%

For the year ended June 30, 2024, required and actual contributions from the District to the OPEB plan were \$1,074,267.

The table below summarizes defined contribution rates in effect for fiscal year 2024:

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, 2024, required and actual contributions from the District for those members with a defined contribution benefit were \$388,278.

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

At June 30, 2024, the District reported a liability of \$39,299,078 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. 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, 2023, the District's proportion was 0.12142%, which was a decrease of 0.00328% from its proportion measured as of September 30, 2022.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2024, the District recognized pension expense of \$3,950,472. At June 30, 2024, 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	\$ 1,240,552	\$ 60,200	\$ 1,180,352
Changes in assumptions	5,325,204	3,070,392	2,254,812
Net difference between projected and actual earnings on pension plan investments	-	804,186	(804,186)
Changes in proportion and differences between employer contributions and proportionate share of contributions	830	1,483,094	(1,482,264)
	<u>6,566,586</u>	<u>5,417,872</u>	<u>1,148,714</u>
District contributions subsequent to the measurement date	4,589,840	-	4,589,840
	<u>4,589,840</u>	<u>-</u>	<u>4,589,840</u>
Total	<u>\$ 11,156,426</u>	<u>\$ 5,417,872</u>	<u>\$ 5,738,554</u>

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, 2025. 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
2025	\$ 167,474
2026	193,342
2027	1,457,853
2028	<u>(669,955)</u>
Total	<u>\$ 1,148,714</u>

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Notes to Financial Statements

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

At June 30, 2024, the District reported an asset of \$673,496 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net OPEB asset 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, 2023, the District's proportion was 0.11906% which was a decrease of 0.00397% from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the District recognized OPEB benefit of \$1,430,833. At June 30, 2024, 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	\$ -	\$ 5,089,282	\$ (5,089,282)
Changes in assumptions	1,499,320	180,546	1,318,774
Net difference between projected and actual earnings on OPEB plan investments	2,053	-	2,053
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,975	524,149	(519,174)
	<u>1,506,348</u>	<u>5,793,977</u>	<u>(4,287,629)</u>
District contributions subsequent to the measurement date	970,777	-	970,777
Total	<u>\$ 2,477,125</u>	<u>\$ 5,793,977</u>	<u>\$ (3,316,852)</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an adjustment to the net OPEB asset/liability in the year ended June 30, 2025. 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
2025	\$ (1,430,894)
2026	(1,294,565)
2027	(532,034)
2028	(481,015)
2029	(364,880)
Thereafter	<u>(184,241)</u>
Total	<u>\$ (4,287,629)</u>

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, 2022 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: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality	Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

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Notes to Financial Statements

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 and 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 and September 30, 2023 valuations, respectively. The total pension and OPEB liabilities as of September 30, 2023, are based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4406 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.5099 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions. The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Long-term Expected Return on Pension and OPEB 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, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.43%	1.36%
Private equity pools	16.00%	8.99%	1.44%
International equity pools	15.00%	6.37%	0.95%
Fixed income pools	13.00%	1.22%	0.16%
Real estate and infrastructure pools	10.00%	5.99%	0.60%
Absolute return pools	9.00%	4.49%	0.40%
Real return/opportunistic pools	10.00%	6.83%	0.68%
Short-term investment pools	2.00%	0.28%	0.01%
	<u>100.00%</u>		5.60%
Inflation			2.70%
Risk adjustment			<u>-2.30%</u>
Investment rate of return			<u><u>6.00%</u></u>

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94%, 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	\$ 53,092,940	\$ 39,299,078	\$ 27,815,190

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

The following presents the District's proportionate share of the net OPEB asset 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 (asset) liability	\$ 698,213	\$ (673,496)	\$ (1,852,346)

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

The following presents the District's proportionate share of the net OPEB asset 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 (asset) liability	\$ (1,855,285)	\$ (673,496)	\$ 605,587

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, 2024, the District reported a payable of \$757,723 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2024.

Payable to the OPEB Plan

At June 30, 2024, the District reported a payable of \$131,440 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2024.

14. SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS 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, 2024, the District contributed \$22,826 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	<u>93</u>
Total	<u><u>180</u></u>

Actuarial Assumptions

The total OPEB liability was measured as of June 30, 2023, and was rolled forward to June 30, 2024. The following actuarial assumptions were used in the measurement:

Actuarial cost method	Entry age (level percentage of compensation)
Amortization method	8-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	4.21% (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: \$47 administrators and supervisors; \$16.50 EEA; and \$30.55 teamsters and non-union

Discount Rate - The discount rate used to measure the total OPEB liability was 4.21%. The Plan is funded on a pay-as-you-go basis, therefore, the AA municipal bond index of 4.21% was applied to all future periods.

Assumption changes since prior valuation - The discount rate was raised from 4.13% to 4.21%. Mortality improvement scale updates.

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, 2024
<i>Total OPEB Liability</i>	
Service cost	\$ 4,136
Interest	8,912
Difference between expected and actual experience	(566)
Change in assumptions	(1,089)
Benefit payments (including refunds of employee contributions)	<u>(22,826)</u>
Net change in total OPEB liability	(11,433)
Total OPEB liability - beginning of year	<u>223,042</u>
Total OPEB Liability - end of year	<u><u>\$ 211,609</u></u>

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$16,548. At June 30, 2024, 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	\$ 15,598	\$ 1,517	\$ 14,081
Changes in assumptions	753	5,775	(5,022)
	<u>\$ 16,351</u>	<u>\$ 7,292</u>	<u>\$ 9,059</u>

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

Year Ended June 30,	Amount Recognized
2025	\$ 3,510
2026	<u>5,549</u>
Total	<u><u>\$ 9,059</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 4.21%, 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 (3.21%)	Current Discount Rate (4.21%)	1% Increase (5.21%)
District's total OPEB liability	\$ 223,010	\$ 211,609	\$ 200,972

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	\$ 196,033	\$ 211,609	\$ 228,961

15. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2024, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated/amortized	\$ 720,597
Capital assets being depreciated/amortized, net	<u>33,094,572</u>
	<u>33,815,169</u>
Related debt:	
Bonds, notes and other long-term liabilities	(12,122,467)
Premiums on bonds payable	(598,141)
Deferred charge on bond refunding	<u>361,729</u>
	<u>(12,358,879)</u>
Net investment in capital assets	<u><u>\$ 21,456,290</u></u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

16. COMMITMENTS AND CONTINGENCIES

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

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

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

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2024.

17. ADJUSTMENTS TO BEGINNING FUND BALANCE

For the year ended June 30, 2024, the District had the following adjustments to beginning fund balance:

	Public Improvement Capital Projects Fund	Nonmajor Governmental Funds
Fund balances, beginning of year, as previously reported	\$ -	\$ 2,152,513
Change within financial reporting entity:		
Change from nonmajor to major fund	<u>628,865</u>	<u>(628,865)</u>
Fund balances, beginning of year, as adjusted	<u>\$ 628,865</u>	<u>\$ 1,523,648</u>

The District previously reported the public improvement capital projects fund as nonmajor. The public improvement capital projects fund met the quantitative threshold for major funds in accordance with GAAP for the year ended June 30, 2024.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

18. SUBSEQUENT EVENTS

In August 2024, the District borrowed \$1,250,000 on state aid anticipation notes with effective interest charged at 3.33% maturing in July 2025.

In August 2024, the District borrowed \$2,000,000 on state aid anticipation notes with effective interest charged at 3.31% maturing in August 2025.



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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,			
	2024	2023	2022	2021
District's proportionate share of the net pension liability	\$ 39,299,078	\$ 46,896,595	\$ 29,827,726	\$ 44,469,541
District's proportion of the net pension liability	0.12142%	0.12470%	0.12599%	0.12946%
District's covered payroll	\$ 11,935,118	\$ 11,982,422	\$ 11,309,937	\$ 11,341,983
District's proportionate share of the net pension liability as a percentage of its covered payroll	329.27%	391.38%	263.73%	392.08%
Plan fiduciary net position as a percentage of the total pension liability	65.91%	60.77%	72.60%	59.72%

See notes to required supplementary information.



Year Ended June 30,					
2020	2019	2018	2017	2016	2015
\$ 44,391,340	\$ 41,471,358	\$ 36,293,818	\$ 39,299,078	\$ 34,115,831	\$ 29,492,376
0.13405%	0.13795%	0.14005%	0.14288%	0.13968%	0.13389%
\$ 11,545,499	\$ 11,671,363	\$ 11,550,184	\$ 12,196,742	\$ 12,316,387	\$ 12,089,451
384.49%	355.33%	314.23%	322.21%	277.00%	243.95%
60.31%	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,			
	2024	2023	2022	2021
Statutorily required contribution	\$ 4,801,565	\$ 4,251,661	\$ 4,020,761	\$ 3,633,919
Contributions in relation to the statutorily required contribution	<u>(4,801,565)</u>	<u>(4,251,661)</u>	<u>(4,020,761)</u>	<u>(3,633,919)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,677,879	\$ 12,300,389	\$ 11,972,146	\$ 11,166,226
Contributions as a percentage of covered payroll	37.87%	34.57%	33.58%	32.54%

See notes to required supplementary information.



Year Ended June 30,					
2020	2019	2018	2017	2016	2015
\$ 3,518,789	\$ 3,441,147	\$ 3,727,557	\$ 3,244,186	\$ 3,271,804	\$ 3,140,498
<u>(3,518,789)</u>	<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>	<u>\$ -</u>
\$ 11,855,233	\$ 11,496,598	\$ 11,697,921	\$ 12,002,957	\$ 12,667,478	\$ 12,406,912
29.68%	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 (Asset) Liability

	Year Ended June 30,			
	2024	2023	2022	2021
District's proportionate share of the net OPEB (asset) liability	\$ (673,496)	\$ 2,605,815	\$ 1,905,688	\$ 6,852,885
District's proportion of the net OPEB (asset) liability	0.11906%	0.12303%	0.12485%	0.12792%
District's covered payroll	\$ 11,935,118	\$ 11,982,422	\$ 11,309,937	\$ 11,341,983
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-5.64%	21.75%	16.85%	60.42%
Plan fiduciary net position as a percentage of the total OPEB liability	105.04%	83.09%	87.33%	59.44%

See notes to required supplementary information.



Year Ended June 30,

2020	2019	2018
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\$ 9,483,253 \$ 10,900,558 \$ 12,425,644

0.13212% 0.13713% 0.14032%

\$ 11,545,499 \$ 11,671,363 \$ 11,550,184

82.14% 93.40% 107.58%

48.46% 42.95% 36.39%

ESCANABA AREA PUBLIC SCHOOLS

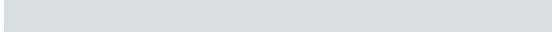
Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,			
	2024	2023	2022	2021
Statutorily required contributions	\$ 1,074,267	\$ 1,039,406	\$ 1,000,690	\$ 973,547
Contributions in relation to the statutorily required contributions	<u>(1,074,267)</u>	<u>(1,039,406)</u>	<u>(1,000,690)</u>	<u>(973,547)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,677,879	\$ 12,300,389	\$ 11,972,146	\$ 11,166,226
Contributions as a percentage of covered payroll	8.47%	8.45%	8.36%	8.72%

See notes to required supplementary information.



Year Ended June 30,		
2020	2019	2018
\$ 989,956	\$ 942,954	\$ 900,666
<u>(989,956)</u>	<u>(942,954)</u>	<u>(900,666)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,855,233	\$ 11,496,598	\$ 11,697,921
8.35%	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,			
	2024	2023	2022	2021
Total OPEB Liability				
Service cost	\$ 4,136	\$ 3,970	\$ 5,808	\$ 9,095
Interest	8,912	8,003	5,062	7,074
Difference between expected and actual experience	(566)	31,970	1,715	(30,181)
Change in assumptions	(1,089)	(22)	(21,830)	9,698
Benefit payments (including refunds of employee contributions)	(22,826)	(25,212)	(25,617)	(26,636)
Other changes	-	-	-	-
Net change in total OPEB liability	(11,433)	18,709	(34,862)	(30,950)
Total OPEB liability, beginning of year	223,042	204,333	239,195	270,145
Total OPEB liability, end of year	<u>\$ 211,609</u>	<u>\$ 223,042</u>	<u>\$ 204,333</u>	<u>\$ 239,195</u>
District's covered payroll	\$ 7,190,856	\$ 6,791,446	\$ 7,774,311	\$ 7,339,944
Total OPEB liability as percentage of covered payroll	2.9%	3.3%	2.6%	3.3%

See notes to required supplementary information.



Year Ended June 30,		
2020	2019	2018
\$ 8,856	\$ 7,840	\$ 8,043
8,093	8,035	8,747
6,893	31,796	2,154
4,664	(9,905)	3,258
(38,542)	(34,625)	(37,994)
-	(302)	-
(10,036)	2,839	(15,792)
280,181	277,342	293,134
<u>\$ 270,145</u>	<u>\$ 280,181</u>	<u>\$ 277,342</u>
\$ 11,728,625	\$ 11,628,280	Not Available
2.3%	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,			
	2024	2023	2022	2021
Actuarially determined contribution	\$ 37,613	\$ 34,594	\$ 35,492	\$ 47,994
Contributions in relation to the Actuarially determined contribution	<u>(22,826)</u>	<u>(25,212)</u>	<u>(25,617)</u>	<u>(26,636)</u>
Contribution deficiency	<u>\$ 14,787</u>	<u>\$ 9,382</u>	<u>\$ 9,875</u>	<u>\$ 21,358</u>
District's covered payroll	\$ 7,190,856	\$ 6,791,446	\$ 7,774,311	\$ 7,339,944
Contributions as a percentage of covered payroll	0.3%	0.4%	0.3%	0.4%

See notes to required supplementary information.



Year Ended June 30,		
2020	2019	2018
\$ 40,569	\$ 36,023	\$ 38,627
<u>(38,542)</u>	<u>(34,923)</u>	<u>(37,994)</u>
<u>\$ 2,027</u>	<u>\$ 1,100</u>	<u>\$ 633</u>
\$ 11,728,625	\$ 11,628,280	Not Available
0.3%	0.3%	Not Available

ESCANABA AREA PUBLIC SCHOOLS

Notes to Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Pension Information

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:

- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 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 (Asset) 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:

- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.
- 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%.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Required Supplementary Information

- 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%.

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, 2024
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	4.13% for 2024 contribution; 4.21% for June 30, 2024 liability and 2025 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

2024 Assumption changes

- Discount rate raised from 4.13% to 4.21%
- Mortality improvement scale updated

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, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 4,097,850	\$ 4,236,138	\$ 4,245,865	\$ 9,727
Other local revenue	506,589	811,969	785,328	(26,641)
Total local sources	4,604,439	5,048,107	5,031,193	(16,914)
State sources:				
State aid unrestricted	15,646,576	16,173,717	16,173,718	1
State aid restricted	7,082,788	7,287,313	7,147,561	(139,752)
Total state sources	22,729,364	23,461,030	23,321,279	(139,751)
Federal sources	1,436,772	1,514,082	1,407,958	(106,124)
Other sources:				
Other restricted	409,660	421,325	454,807	33,482
Total revenues	29,180,235	30,444,544	30,215,237	(229,307)
Expenditures				
Current:				
Basic instruction:				
Salaries	5,028,484	4,951,002	4,923,874	(27,128)
Fringe benefits	6,624,172	5,560,356	5,495,657	(64,699)
Purchased services	588,547	738,198	679,026	(59,172)
Supplies	2,448,126	2,373,006	2,327,493	(45,513)
	14,689,329	13,622,562	13,426,050	(196,512)
Added needs:				
Salaries	2,182,818	2,177,517	2,098,425	(79,092)
Fringe benefits	1,579,132	1,758,567	1,697,334	(61,233)
Purchased services	190,765	190,820	135,303	(55,517)
Supplies	105,799	114,919	91,491	(23,428)
	4,058,514	4,241,823	4,022,553	(219,270)
Total instruction	18,747,843	17,864,385	17,448,603	(415,782)
Support services:				
Pupil services:				
Salaries	1,184,196	1,110,171	1,088,111	(22,060)
Fringe benefits	814,222	952,016	936,893	(15,123)
Purchased services	145,390	138,406	109,097	(29,309)
Supplies	44,400	36,400	35,541	(859)
	2,188,208	2,236,993	2,169,642	(67,351)

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, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Current (continued):				
Support services (continued):				
Instructional staff:				
Salaries	\$ 422,966	\$ 384,446	\$ 360,964	\$ (23,482)
Fringe benefits	279,075	301,553	286,439	(15,114)
Purchased services	198,537	195,098	173,955	(21,143)
Supplies	125,516	130,259	113,376	(16,883)
	<u>1,026,094</u>	<u>1,011,356</u>	<u>934,734</u>	<u>(76,622)</u>
General administration:				
Salaries	193,909	187,879	187,601	(278)
Fringe benefits	159,910	165,798	154,296	(11,502)
Purchased services	124,810	157,950	118,834	(39,116)
Supplies	22,467	26,183	19,946	(6,237)
	<u>501,096</u>	<u>537,810</u>	<u>480,677</u>	<u>(57,133)</u>
School administration:				
Salaries	787,023	800,957	798,186	(2,771)
Fringe benefits	598,644	675,809	673,853	(1,956)
Purchased services	6,275	8,701	4,638	(4,063)
Supplies	50,600	50,676	45,516	(5,160)
	<u>1,442,542</u>	<u>1,536,143</u>	<u>1,522,193</u>	<u>(13,950)</u>
Business services:				
Salaries	208,306	207,206	207,205	(1)
Fringe benefits	156,714	181,428	176,106	(5,322)
Purchased services	60,080	62,580	44,467	(18,113)
Supplies	-	17,869	-	(17,869)
Interest on state aid note payable	120,183	128,240	128,240	-
	<u>545,283</u>	<u>597,323</u>	<u>556,018</u>	<u>(41,305)</u>
Operations and maintenance:				
Salaries	244,988	245,265	233,256	(12,009)
Fringe benefits	214,292	221,249	215,457	(5,792)
Purchased services	1,135,284	1,220,417	1,119,260	(101,157)
Supplies	474,885	496,374	439,581	(56,793)
	<u>2,069,449</u>	<u>2,183,305</u>	<u>2,007,554</u>	<u>(175,751)</u>
Transportation:				
Salaries	578,705	574,425	568,239	(6,186)
Fringe benefits	543,530	575,715	565,054	(10,661)
Purchased services	146,713	171,467	124,657	(46,810)
Supplies	201,006	202,089	185,548	(16,541)
	<u>1,469,954</u>	<u>1,523,696</u>	<u>1,443,498</u>	<u>(80,198)</u>

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ESCANABA AREA PUBLIC SCHOOLS

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

General Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (concluded):				
Supporting services (concluded):				
Central services:				
Purchased services	\$ 88,315	\$ 226,859	\$ 198,983	\$ (27,876)
Athletics:				
Salaries	223,823	185,891	186,243	352
Fringe benefits	101,723	118,605	116,483	(2,122)
Purchased services	208,136	208,596	181,971	(26,625)
Supplies	76,430	115,033	102,945	(12,088)
	<u>610,112</u>	<u>628,125</u>	<u>587,642</u>	<u>(40,483)</u>
Total support services	<u>9,941,053</u>	<u>10,481,610</u>	<u>9,900,941</u>	<u>(580,669)</u>
Community services:				
Salaries	35,826	37,822	39,529	1,707
Fringe benefits	21,799	27,280	25,192	(2,088)
Purchased services	25,252	18,326	10,320	(8,006)
Supplies	21,679	41,592	11,764	(29,828)
	<u>104,556</u>	<u>125,020</u>	<u>86,805</u>	<u>(38,215)</u>
Total community services	<u>104,556</u>	<u>125,020</u>	<u>86,805</u>	<u>(38,215)</u>
Debt service:				
Principal	36,532	36,532	36,532	-
Interest and fiscal charges	1,895	1,895	1,894	(1)
	<u>38,427</u>	<u>38,427</u>	<u>38,426</u>	<u>(1)</u>
Total debt service	<u>38,427</u>	<u>38,427</u>	<u>38,426</u>	<u>(1)</u>
Capital outlay	<u>244,766</u>	<u>592,744</u>	<u>581,542</u>	<u>(11,202)</u>
Total expenditures	<u>29,076,645</u>	<u>29,102,186</u>	<u>28,056,317</u>	<u>(1,045,869)</u>
Revenues over expenditures	<u>103,590</u>	<u>1,342,358</u>	<u>2,158,920</u>	<u>816,562</u>
Other financing sources (uses)				
Transfers in	46,000	46,000	46,000	-
Transfers out	(147,500)	(2,582,292)	(2,582,292)	-
	<u>(101,500)</u>	<u>(2,536,292)</u>	<u>(2,536,292)</u>	<u>-</u>
Total other financing uses	<u>(101,500)</u>	<u>(2,536,292)</u>	<u>(2,536,292)</u>	<u>-</u>
Net change in fund balance	<u>2,090</u>	<u>(1,193,934)</u>	<u>(377,372)</u>	<u>816,562</u>
Fund balance, beginning of year	<u>5,208,817</u>	<u>5,208,817</u>	<u>5,208,817</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,210,907</u>	<u>\$ 4,014,883</u>	<u>\$ 4,831,445</u>	<u>\$ 816,562</u>

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ESCANABA AREA PUBLIC SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2024

	Special Revenue Fund		Debt Service Funds	
	Food Service	Student/School Activities	2010 Debt Retirement	2022 Energy Bonds
Assets				
Cash and investments	\$ 805,187	\$ 322,069	\$ 445,446	\$ 139
Accounts receivable	3,575	-	-	-
Due from other funds	17	-	-	-
Due from other governments	50,449	-	-	-
Inventory	33,794	-	-	-
Total assets	<u>\$ 893,022</u>	<u>\$ 322,069</u>	<u>\$ 445,446</u>	<u>\$ 139</u>
Liabilities				
Accounts payable	\$ 1,381	\$ 1,463	\$ -	\$ -
Accrued liabilities	25,034	-	-	-
Unearned revenue	9,694	-	-	-
Total liabilities	<u>36,109</u>	<u>1,463</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable for inventories	33,794	-	-	-
Restricted:				
Debt service	-	-	445,446	-
Food service	823,119	-	-	-
Committed:				
Student groups	-	320,606	-	-
Assigned:				
Debt service	-	-	-	139
Total fund balances	<u>856,913</u>	<u>320,606</u>	<u>445,446</u>	<u>139</u>
Total liabilities and fund balances	<u>\$ 893,022</u>	<u>\$ 322,069</u>	<u>\$ 445,446</u>	<u>\$ 139</u>



Capital Projects Fund	
2022 Energy Conservation	Total

\$	-	\$	1,572,841
	-		3,575
	-		17
	-		50,449
	-		33,794
<hr/>		<hr/>	

<u>\$</u>	<u>-</u>	<u>\$</u>	<u>1,660,676</u>
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\$	-	\$	2,844
	-		25,034
	-		9,694
<hr/>		<hr/>	

	-		37,572
<hr/>		<hr/>	

- 33,794

- 445,446

- 823,119

- 320,606

- 139

	-		1,623,104
<hr/>		<hr/>	

<u>\$</u>	<u>-</u>	<u>\$</u>	<u>1,660,676</u>
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ESCANABA AREA PUBLIC SCHOOLS

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

Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Fund		Debt Service Funds	
	Food Service	Student/School Activities	2010 Debt Retirement	2022 Energy Bonds
Revenues				
Local sources	\$ 147,559	\$ 339,454	\$ 2,048,037	\$ 55
State sources	441,812	-	351,777	-
Federal sources	1,329,183	-	-	-
Total revenues	<u>1,918,554</u>	<u>339,454</u>	<u>2,399,814</u>	<u>55</u>
Expenditures				
Current:				
Salaries	374,063	-	-	-
Fringe benefits	288,060	-	-	-
Supplies	1,048,857	-	-	-
Student activities	-	337,374	-	-
Debt service:				
Principal	-	-	1,840,000	90,000
Interest and fiscal charges	-	-	494,854	58,000
Capital outlay	-	-	-	-
Total expenditures	<u>1,710,980</u>	<u>337,374</u>	<u>2,334,854</u>	<u>148,000</u>
Revenues over (under) expenditures	<u>207,574</u>	<u>2,080</u>	<u>64,960</u>	<u>(147,945)</u>
Other financing sources (uses)				
Transfers in	-	-	-	148,000
Transfers out	(46,000)	-	-	-
Total other financing sources (uses)	<u>(46,000)</u>	<u>-</u>	<u>-</u>	<u>148,000</u>
Net changes in fund balances	<u>161,574</u>	<u>2,080</u>	<u>64,960</u>	<u>55</u>
Fund balances, beginning of year as previously reported	695,339	318,526	380,486	84
Change within financial reporting entity	-	-	-	-
Fund balances, beginning of year as adjusted	<u>695,339</u>	<u>318,526</u>	<u>380,486</u>	<u>84</u>
Fund balances, end of year	<u>\$ 856,913</u>	<u>\$ 320,606</u>	<u>\$ 445,446</u>	<u>\$ 139</u>



Capital Projects Funds		
(formally nonmajor fund) Public Improvement	2022 Energy Conservation	Total
	\$ 2,100	\$ 2,537,205
	-	793,589
	-	<u>1,329,183</u>
	<u>2,100</u>	<u>4,659,977</u>
	-	374,063
	-	288,060
	-	1,048,857
	-	337,374
	-	1,930,000
	-	552,854
	<u>131,313</u>	<u>131,313</u>
	<u>131,313</u>	<u>4,662,521</u>
	<u>(129,213)</u>	<u>(2,544)</u>
	-	148,000
	-	<u>(46,000)</u>
	-	<u>102,000</u>
	<u>(129,213)</u>	<u>99,456</u>
\$ 628,865	129,213	2,152,513
<u>(628,865)</u>	-	<u>(628,865)</u>
<u>\$ -</u>	<u>129,213</u>	<u>1,523,648</u>
	<u>\$ -</u>	<u>\$ 1,623,104</u>

ESCANABA AREA PUBLIC SCHOOLS

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

Food Service Special Revenue Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 123,022	\$ 153,153	\$ 147,559	\$ (5,594)
State sources	47,551	444,523	441,812	(2,711)
Federal sources	1,196,628	1,304,070	1,329,183	25,113
Total revenues	<u>1,367,201</u>	<u>1,901,746</u>	<u>1,918,554</u>	<u>16,808</u>
Expenditures				
Salaries	388,027	387,016	374,063	(12,953)
Fringe benefits	295,201	309,573	288,060	(21,513)
Supplies	1,113,816	1,116,381	1,048,857	(67,524)
Total expenditures	<u>1,797,044</u>	<u>1,812,970</u>	<u>1,710,980</u>	<u>(101,990)</u>
Revenues over (under) expenditures	(429,843)	88,776	207,574	118,798
Other financing uses				
Transfers out	(46,000)	(46,000)	(46,000)	-
Net change in fund balance	(475,843)	42,776	161,574	118,798
Fund balance, beginning of year	<u>695,339</u>	<u>695,339</u>	<u>695,339</u>	<u>-</u>
Fund balance, end of year	<u>\$ 219,496</u>	<u>\$ 738,115</u>	<u>\$ 856,913</u>	<u>\$ 118,798</u>

ESCANABA AREA PUBLIC SCHOOLS

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

Student/School Activity Special Revenue Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 400,000	\$ 400,000	\$ 339,454	\$ (60,546)
Expenditures				
Student activities	400,000	400,000	337,374	(62,626)
Net change in fund balance	-	-	2,080	2,080
Fund balance, beginning of year	318,526	318,526	318,526	-
Fund balance, end of year	<u>\$ 318,526</u>	<u>\$ 318,526</u>	<u>\$ 320,606</u>	<u>\$ 2,080</u>

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds - Scholarships

June 30, 2024

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
Assets			
Cash and cash equivalents	\$ 177,936	\$ 771,575	\$ 949,511
Interest receivable	3,043	6,716	9,759
Investments:			
Common stocks	462,335	4,037,174	4,499,509
Mutual funds	391,194	1,074,276	1,465,470
Bonds	1,117,258	-	1,117,258
Total assets	<u>2,151,766</u>	<u>5,889,741</u>	<u>8,041,507</u>
Net position restricted for scholarships	<u>\$ 2,151,766</u>	<u>\$ 5,889,741</u>	<u>\$ 8,041,507</u>

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds - Scholarships

For the Year Ended June 30, 2024

	Scholarship Funds		
	Anna C. Norton	Co-mingled	Total
Additions			
Contributions	\$ -	\$ 215,994	\$ 215,994
Investment income:			
Interest and dividends	24,485	145,830	170,315
Net increase in fair value of investments	172,691	562,189	734,880
Total investment income	197,176	708,019	905,195
Total additions	197,176	924,013	1,121,189
Deductions			
Scholarships and trophies	73,610	214,389	287,999
Trustee fees	13,349	30,890	44,239
Total deductions	86,959	245,279	332,238
Change in net position	110,217	678,734	788,951
Net position, beginning of year	2,041,549	5,211,007	7,252,556
Net position, end of year	\$ 2,151,766	\$ 5,889,741	\$ 8,041,507

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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, 2024

	Taxable Valuation	Per \$1,000 Valuation	Tax Levy
General Fund (on homestead taxable valuation only)			
City of Escanaba	\$ 165,421,788	6-18 mills	\$ 2,810,688
Wells Township (Delta County)	42,602,345	6-18 mills	747,353
Ford River Township	24,940,563	6-18 mills	448,602
Cornell Township	9,648,045	6-18 mills	173,665
Wells Township (Marquette County)	2,474,880	6-18 mills	44,245
Total General Fund	<u>\$ 245,087,621</u>	6-18 mills	<u>\$ 4,224,553</u>
2010 Debt Retirement Fund (on total taxable valuation)			
City of Escanaba	\$ 333,244,144	3.20 mills	\$ 1,066,381
Wells Township (Delta County)	173,226,513	3.20 mills	554,325
Ford River Township	85,012,290	3.20 mills	272,039
Cornell Township	27,813,560	3.20 mills	89,003
Wells Township (Marquette County)	3,221,731	3.20 mills	10,310
Total 2010 Debt Retirement Fund	<u>\$ 622,518,238</u>	3.20 mills	<u>\$ 1,992,058</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, 2024

	Net Position July 1, 2023	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	\$ 124,559	\$ -	\$ 3,738	\$ 1,443	\$ 12,964	\$ 18,145
Abrahamson Family	111,545	-	3,347	1,295	11,610	16,252
Adamini, Peter Memorial	12,800	-	384	149	1,332	1,865
Aronson, Arthur V. & Elin C.	143,755	200	4,314	1,668	14,962	21,144
Beauchamp, Grace Huston	18,140	-	544	211	1,888	2,643
Beck, Conrad D.	16,077	-	482	187	1,673	2,342
Bennets, Jeanee	15,287	-	459	177	1,591	2,227
Berres, Frank Memorial	10,415	200	313	121	1,084	1,718
Berndt, Sherry	53,170	-	1,596	617	5,534	7,747
Bero, Willard & Joyce	62,646	-	1,880	727	6,520	9,127
Bonifas, Catherine	136,927	-	4,109	1,589	14,251	19,949
Bosk, Robert & Olga	78,045	-	2,342	906	8,123	11,371
Brown, Ian & Laura Family	2,934	-	88	34	305	427
Calouette, John A. Memorial	12,411	-	372	144	1,292	1,808
Chernick, John Memorial	2,837	-	85	33	295	413
Class of 1959	49,251	475	1,478	572	5,126	7,651
Cohodas, Sam M.	10,577	-	317	123	1,101	1,541
Coplan Family Music	47,598	-	1,428	552	4,954	6,934
Coplan, BA Memorial	70,882	-	2,127	823	7,377	10,327
Cvengros, Jerry Memorial	8,321	-	250	97	866	1,213
Cunningham Family	11,382	-	342	132	1,185	1,659
Dagenais, Elmer & Phoebe	17,709	-	531	206	1,843	2,580
Diedrich, Louis	27,927	-	838	324	2,907	4,069
Derkos, Danny Memorial	19,695	-	591	229	2,050	2,870
Derouin, Cook/Derouin's Collision	5,091	-	153	59	530	742
Derouin, Dean	6,535	-	196	76	680	952
Dufour, Susan C. & Thomas D	9,017	-	271	105	938	1,314
Dunstone, Robert Memorial	5,065	-	152	59	527	738
Edick, Edward E.	13,467	-	404	156	1,402	1,962
Erickson/Breitenbach Wildlife	1,624	-	49	19	169	237
Escanaba Educational Trust	12,743	-	382	148	1,326	1,856
Fernstrom, Esther	11,166	-	335	130	1,162	1,627
Ferrari, Joan Hesse	14,555	500	437	169	1,515	2,621
Fontaine, Sally Stack	12,686	-	381	147	1,320	1,848
Fleming, Lawrence and Nina	18,217	-	547	211	1,896	2,654
Freidhoff, Steve Memorial	4,541	-	136	53	473	662
Gasman, John T.	1,226	-	37	14	128	179
Gessner, Charles H. Family	100,275	-	3,009	1,164	10,437	14,610
Gordon, Dr. E. James	322,895	-	9,690	3,748	33,607	47,045
Grab, George	39,245	-	1,178	455	4,085	5,718
Green, Wendell & Mary Lorraine	30,826	-	925	358	3,208	4,491
Hansen, John Wesley Memorial	17,598	-	528	204	1,832	2,564
Haslow, Robert L. Memorial	8,075	-	242	94	840	1,176
Henslee, Forrest & Mary	41,892	-	1,257	486	4,360	6,103
Hermans, James L. Memorial	27,312	-	820	317	2,843	3,980
Johnson, Bradley D.	75,727	-	2,272	879	7,882	11,033
Karkkainen, Melvin	15,146	-	455	176	1,576	2,207
Kirstin, Herbert & Irene	19,119	-	574	222	1,990	2,786
Klemmetsen/Rose Memorial	362,974	-	10,892	4,213	37,778	52,883
Koontz, John & Barbara Memorial	4,712	-	141	55	490	686
LaFave, Olive C.	40,281	-	1,209	468	4,192	5,869
Lemerand, Clarence & Della	435,447	-	13,067	5,054	45,321	63,442
Lindstrom, James	5,212	-	157	60	542	759
Louis, Frank B. & Mamie A.	160,824	-	4,826	1,867	16,739	23,432

Deductions							
Scholarships and Trophies	Trustee Fees	Total Deductions	Adjustments	Change in Net Position	Net Position June 30, 2024	Accumulated Contributions to Fund	Remaining Balance
\$ 5,980	\$ 792	\$ 6,772	\$ -	\$ 11,373	\$ 135,932	\$ 104,000	\$ 31,932
8,225	709	8,934	2,637	9,955	121,500	120,000	1,500
-	81	81	-	1,784	14,584	8,510	6,074
7,200	914	8,114	-	13,030	156,785	97,525	59,260
800	115	915	700	2,428	20,568	10,000	10,568
775	102	877	775	2,240	18,317	9,570	8,747
1,475	97	1,572	700	1,355	16,642	11,898	4,744
-	66	66	1,000	2,652	13,067	14,081	(1,014)
5,250	338	5,588	4,775	6,934	60,104	32,376	27,728
-	398	398	-	8,729	71,375	40,000	31,375
13,150	870	14,020	6,125	12,054	148,981	50,000	98,981
1,775	496	2,271	7,450	16,550	94,595	54,500	40,095
-	19	19	-	408	3,342	2,500	842
575	79	654	1,175	2,329	14,740	10,000	4,740
275	18	293	150	270	3,107	2,200	907
-	314	314	-	7,337	56,588	41,739	14,849
-	67	67	450	1,924	12,501	5,186	7,315
4,500	303	4,803	-	2,131	49,729	25,000	24,729
-	451	451	2,431	12,307	83,189	56,856	26,333
400	53	453	-	760	9,081	5,665	3,416
575	72	647	-	1,012	12,394	6,100	6,294
-	113	113	-	2,467	20,176	13,369	6,807
2,500	178	2,678	-	1,391	29,318	20,775	8,543
900	125	1,025	-	1,845	21,540	14,815	6,725
225	32	257	1,000	1,485	6,576	5,000	1,576
525	42	567	225	610	7,145	3,744	3,401
850	57	907	-	407	9,424	5,170	4,254
500	32	532	-	206	5,271	5,010	261
1,300	86	1,386	2,550	3,126	16,593	5,507	11,086
-	10	10	-	227	1,851	1,000	851
675	81	756	1,775	2,875	15,618	11,603	4,015
525	71	596	-	1,031	12,197	4,226	7,971
650	93	743	1,225	3,103	17,658	10,695	6,963
600	81	681	-	1,167	13,853	10,300	3,553
825	116	941	-	1,713	19,930	10,000	9,930
200	29	229	-	433	4,974	2,941	2,033
-	8	8	-	171	1,397	1,115	282
7,200	637	7,837	-	6,773	107,048	64,963	42,085
27,350	2,052	29,402	19,650	37,293	360,188	218,131	142,057
3,800	249	4,049	5,625	7,294	46,539	20,000	26,539
2,850	196	3,046	1,350	2,795	33,621	24,102	9,519
800	112	912	-	1,652	19,250	11,250	8,000
-	51	51	-	1,125	9,200	5,250	3,950
4,050	266	4,316	-	1,787	43,679	34,896	8,783
1,200	174	1,374	-	2,606	29,918	25,000	4,918
4,538	481	5,019	1,038	7,052	82,779	49,607	33,172
1,000	96	1,096	-	1,111	16,257	24,200	(7,943)
875	122	997	800	2,589	21,708	10,000	11,708
14,656	2,307	16,963	3,924	39,844	402,818	232,350	170,468
200	30	230	-	456	5,168	1,455	3,713
1,925	256	2,181	8,750	12,438	52,719	20,000	32,719
24,300	2,768	27,068	12,450	48,824	484,271	300,741	183,530
-	33	33	250	976	6,188	4,100	2,088
7,500	1,022	8,522	14,175	29,085	189,909	89,945	99,964

continued...

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Net Position (Unaudited)

Co-mingled Scholarships Fund
For the Year Ended June 30, 2024

	Net Position July 1, 2023	Additions			Total Additions	
		Contributions	Interest and Dividends	Gain on Sale of Investments		Increase in Fair Value of Investments
Investment accounts						
McCotter, Delores	\$ 1,940	\$ -	\$ 58	\$ 23	\$ 207	\$ 288
McDermott, Thomas Memorial	62,679	-	1,881	727	6,524	9,132
McKie, Donald	33,162	-	995	385	3,451	4,831
McInerney, Dr. Thomas & Dr. Edna Memorial	84,925	-	2,548	986	8,839	12,373
Micensky, Robert	5,541	-	166	64	577	807
Milkiewicz, Stephen M.	6,906	-	207	80	719	1,006
Milkiewicz, Kim Ann	13,549	-	407	157	1,410	1,974
Molin, Jack and Class of 1944	47,112	-	1,414	547	4,903	6,864
Nordberg, Carl A.	19,163	-	575	222	1,994	2,791
O'Donnell, Anne C.	35,878	-	1,077	416	3,734	5,227
Olson, Joanne Taylor	15,385	-	462	179	1,601	2,242
Owen, Robert A. & Ruth	41,358	-	1,241	480	4,305	6,026
Owens, Georgia Gibbs/ Irwin & Marge Gibbs	292,290	-	8,771	3,392	30,421	42,584
Peterson, Ken	5,375	-	161	62	559	782
Pfotenhauer/Gessner	14,223	-	427	165	1,480	2,072
Puckelwartz, William H.	34,718	-	1,042	403	3,613	5,058
Reade, H.W.	28,191	-	846	327	2,934	4,107
Ruwitch, George	40,729	-	1,222	473	4,239	5,934
Sackerson, Helen A.	218,494	-	6,557	2,536	22,741	31,834
Salo, Christine	11,705	400	351	136	1,218	2,105
Saykly, Josephine	13,379	-	401	155	1,392	1,948
Schram, Dick Memorial	16,475	-	494	191	1,715	2,400
St. Louis, Maria, George & Stanley	444,844	-	13,349	5,163	46,299	64,811
St. Pierre, Mary	5,626	-	169	65	586	820
Stein, Daniel	54,305	-	1,630	630	5,652	7,912
Taylor, Francis & Nancy	152,165	-	4,566	1,766	15,837	22,169
Taylor, Al Family	150,484	-	4,516	1,747	15,662	21,925
Taylor, Naomi Memorial	73,245	-	2,198	850	7,623	10,671
Timmer, Gene	3,857	-	116	45	401	562
VanEffen, William J.	8,650	-	260	100	900	1,260
Wylie, Henry	4,576	-	137	53	476	666
Young, A.J.	30,306	-	909	352	3,154	4,415
	<u>4,860,980</u>	<u>1,775</u>	<u>145,830</u>	<u>56,402</u>	<u>505,787</u>	<u>709,794</u>
Cash accounts						
Wickman/Addison, Ruth	2,909	6,172	-	-	-	6,172
Felton, Oliver	3,360	5,209	-	-	-	5,209
Hirn, Robert & Elva	217,634	43,430	-	-	-	43,430
Kintziger, Louis J.	14,217	4,331	-	-	-	4,331
Maki, Arnie & Violet	4,324	45,456	-	-	-	45,456
Miscellaneous contributions	108,947	109,621	-	-	-	109,621
	<u>351,391</u>	<u>214,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,219</u>
Total	<u>\$ 5,212,371</u>	<u>\$ 215,994</u>	<u>\$ 145,830</u>	<u>\$ 56,402</u>	<u>\$ 505,787</u>	<u>\$ 924,013</u>

Deductions								
Scholarships and Trophies	Trustee Fees	Total Deductions	Adjustments	Change in Net Position	Net Position June 30, 2024	Accumulated Contributions to Fund	Remaining Balance	
\$ -	\$ 11	\$ 11	\$ -	\$ 277	\$ 2,217	\$ 1,500	\$ 717	
3,400	398	3,798	10,200	15,534	78,213	47,420	30,793	
1,700	211	1,911	2,925	5,845	39,007	24,176	14,831	
7,825	540	8,365	-	4,008	88,933	50,000	38,933	
-	35	35	-	772	6,313	4,155	2,158	
350	44	394	300	912	7,818	8,500	(682)	
625	86	711	1,250	2,513	16,062	2,600	13,462	
2,400	299	2,699	1,950	6,115	53,227	29,644	23,583	
900	122	1,022	-	1,769	20,932	11,562	9,370	
-	228	228	1,700	6,699	42,577	21,005	21,572	
1,500	98	1,598	1,450	2,094	17,479	10,000	7,479	
3,900	263	4,163	2,100	3,963	45,321	25,000	20,321	
24,600	1,858	26,458	10,587	26,713	319,003	153,755	165,248	
250	34	284	300	798	6,173	5,015	1,158	
830	90	920	-	1,152	15,375	10,000	5,375	
1,600	221	1,821	-	3,237	37,955	12,962	24,993	
1,300	179	1,479	2,500	5,128	33,319	10,150	23,169	
1,900	259	2,159	-	3,775	44,504	28,096	16,408	
3,167	1,389	4,556	-	27,278	245,772	200,000	45,772	
550	74	624	-	1,481	13,186	11,060	2,126	
650	85	735	-	1,213	14,592	10,000	4,592	
1,575	105	1,680	1,450	2,170	18,645	10,090	8,555	
21,200	2,828	24,028	42,406	83,189	528,033	234,975	293,058	
-	36	36	550	1,334	6,960	4,164	2,796	
-	345	345	3,306	10,873	65,178	35,000	30,178	
9,754	967	10,721	-	11,448	163,613	100,000	63,613	
7,363	957	8,320	-	13,605	164,089	100,230	63,859	
7,200	466	7,666	4,325	7,330	80,575	50,255	30,320	
175	25	200	-	362	4,219	2,814	1,405	
400	55	455	-	805	9,455	5,000	4,455	
200	29	229	-	437	5,013	2,708	2,305	
2,875	193	3,068	-	1,347	31,653	9,900	21,753	
<u>271,663</u>	<u>30,890</u>	<u>302,553</u>	<u>190,454</u>	<u>597,695</u>	<u>5,457,313</u>	<u>3,200,702</u>	<u>2,256,611</u>	
7,850	-	7,850	6,500	4,822	7,731	61,329	7,731	
4,000	-	4,000	-	1,209	4,569	60,404	4,569	
69,425	-	69,425	1,875	(24,120)	193,514	748,259	193,514	
5,175	-	5,175	4,825	3,981	18,198	53,245	18,198	
5,525	-	5,525	7,790	47,721	52,045	149,453	52,045	
97,589	-	97,589	35,394	47,426	156,371	617,121	156,371	
<u>189,564</u>	<u>-</u>	<u>189,564</u>	<u>56,384</u>	<u>81,039</u>	<u>432,428</u>	<u>1,689,811</u>	<u>432,428</u>	
<u>\$ 461,227</u>	<u>\$ 30,890</u>	<u>\$ 492,117</u>	<u>\$ 246,838</u>	<u>\$ 678,734</u>	<u>\$ 5,889,741</u>	<u>\$ 4,890,513</u>	<u>\$ 2,689,039</u>	

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SINGLE AUDIT ACT COMPLIANCE

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

October 11, 2024

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Escanaba Area Public Schools** (the "District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 11, 2024, 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, 2024

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	372,174
National School Breakfast	10.553	MDE	241970	334,449
National School Lunch	10.555	MDE	231960	727,361
National School Lunch	10.555	MDE	241960	652,527
Supply Chain Assistance Funds (Round 4)	10.555	MDE	240910	58,509
Supply Chain Assistance Funds (Round 3)	10.555	MDE	220910	24,649
Entitlement commodities (non-cash)	10.555	MDE	n/a	98,790
Summer food service program	10.559	MDE	230900	22,063
Summer food service program	10.559	MDE	240900	10,950
Total Child Nutrition Cluster				
2022-23 Child & Adult Food Program	10.558	MDE	231920	767
2023-24 Child & Adult Food Program	10.558	MDE	241920	731
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I, Part A - Grants to Local Educational Agencies	84.010	MDE	231530-2223	670,460
Title I, Part A - Grants to Local Educational Agencies	84.010	MDE	241530-2324	658,683
Title I, Part A - Grants to Local Educational Agencies	84.010	GLAS	241530-2324	8,607
Title I Technical Assistance Grant (TAG)	84.010A	CISD	n/a	20,000
Special Education Cluster:				
Special Education - Flowthrough - 2024	84.027A	MARESA	240470-2D33	3,180
Indian Education	84.060A	Direct	n/a	36,808
Title II, Part A - Supporting Effective Instruction State Grants	84.367	MDE	210520-2021	195,641
Title II, Part A - Supporting Effective Instruction State Grants	84.367	MDE	230520-2223	158,314
Title II, Part A - Supporting Effective Instruction State Grants	84.367	MDE	240520-2324	144,269
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	MDE	230750-2223	40,714
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	MDE	240750-2324	48,123

Accrued (Unearned) Revenue June 30, 2023	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Adjustment	Expenditures Year Ended June 30, 2024	Accrued (Unearned) Revenue June 30, 2024
\$ 556	\$ 556	\$ 556	\$ -	\$ -	\$ -
-	44,513	327,661	-	44,513	-
-	326,229	-	-	334,449	8,220
-	370,742	327,661	-	378,962	8,220
-	89,922	637,439	-	89,922	-
-	640,600	-	-	652,527	11,927
-	58,509	-	-	58,509	-
(24,649)	-	-	-	24,649	-
-	98,790	-	-	98,790	-
(24,649)	887,821	637,439	-	924,397	11,927
8,007	22,063	8,007	-	14,056	-
-	-	-	-	10,950	10,950
8,007	22,063	8,007	-	25,006	10,950
(16,642)	1,280,626	973,107	-	1,328,365	31,097
-	87	680	-	87	-
-	731	-	-	731	-
-	818	680	-	818	-
(16,086)	1,282,000	974,343	-	1,329,183	31,097
58,711	58,711	616,250	-	-	-
-	542,609	-	-	634,417	91,808
-	8,607	-	-	8,607	-
10,335	10,335	10,335	-	-	-
69,046	620,262	626,585	-	643,024	91,808
-	3,180	-	-	3,180	-
-	29,031	-	-	36,808	7,777
-	(82,709)	112,932	82,709	-	-
714	6,565	97,152	-	5,851	-
-	100,764	-	-	101,732	968
714	24,620	210,084	82,709	107,583	968
2,642	4,803	37,445	-	2,161	-
-	48,123	-	-	48,123	-
2,642	52,926	37,445	-	50,284	-

continued...

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

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):				
American Rescue Plan ESSER III - Formula	84.425U	MDE	213713-2122	\$ 3,923,740
American Rescue Plan - Homeless II	84.425W	MDE	211012-2122	35,141
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Healthcare Resource Advocates (HRA)	93.323	DSISD	242810-2324	88,115
Medicaid Cluster:				
Medicaid Outreach	93.778	DSISD	n/a	20,282
Total U.S. Department of Health and Human Services				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2023	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Adjustment	Expenditures Year Ended June 30, 2024	Accrued (Unearned) Revenue June 30, 2024
\$ 44,190	\$ 491,732	\$ 3,476,198	\$ -	\$ 447,542	\$ -
-	14,939	-	-	16,104	1,165
<u>44,190</u>	<u>506,671</u>	<u>3,476,198</u>	<u>-</u>	<u>463,646</u>	<u>1,165</u>
<u>116,592</u>	<u>1,236,690</u>	<u>4,350,312</u>	<u>82,709</u>	<u>1,304,525</u>	<u>101,718</u>
-	-	-	-	83,403	83,403
-	20,282	-	-	20,282	-
-	20,282	-	-	103,685	83,403
<u>\$ 100,506</u>	<u>\$ 2,538,972</u>	<u>\$ 5,324,655</u>	<u>\$ 82,709</u>	<u>\$ 2,737,393</u>	<u>\$ 216,218</u>

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, 2024. 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 Title II, Part A - Improving Teacher Quality State Grants passthrough grants from the Michigan Department of Education has an adjustment reported on the SEFA of \$82,709. The adjustment is made up of a prior year overpayment of \$82,457, which the district reported as a liability for the 2023 financial statements, and was recaptured against current year reimbursement requests. The remaining \$252 was recaptured due to a State determination of unallowed costs.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

4. RECONCILIATION TO BASIC FINANCIAL STATEMENTS

A reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit act compliance schedule of expenditures of federal awards is as follows:

Federal revenues as reported in the financial statements	\$ 2,737,141
Add back recapture of PY Title II	<u>252</u>
Expenditures per schedule of expenditures of federal awards	<u>\$ 2,737,393</u>

5. 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
MARESA	Marquette-Alger Regional Educational Service Agency
DSISD	Delta-Schoolcraft Intermediate School District



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

October 11, 2024

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Escanaba Area Public Schools** (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 11, 2024.

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 were not 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 Lobson LLC". The signature is written in a cursive, flowing style.

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

October 11, 2024

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

Report on Compliance for the Federal Program

Opinion on the Major Federal Program

We have audited the compliance of ***Escanaba Area Public Schools*** (the "District") with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the 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 the 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 the 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.

Rehmann Loborn LLC

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

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

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, 2024

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, 2024

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, 2024

No matters were reported.



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 11, 2024

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Escanaba Area Public Schools* (the "District"), as of and for the year ended June 30, 2024, and have issued our report thereon dated October 11, 2024. 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 17, 2024, 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 October 11, 2024. In addition, we noted a certain other matter 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 and in our meeting about planning matters on September 14, 2024.

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the District's Significant Accounting Practices*Significant Accounting Policies*

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

The District changed accounting policies related to restatements and adjustments to beginning fund balance/net position by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 100, *Accounting Changes and Error Corrections*.

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 financial statements include a net pension liability and a net other postemployment benefit asset 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.

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.

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,

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

ESCANABA AREA PUBLIC SCHOOLS

Attachment A – Comments and Recommendations

For the June 30, 2024 Audit

During our audit, we became aware of a certain other matter that is an opportunity 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 October 11, 2024, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated October 11, 2024, 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, 2024, 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, 2024 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 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.

GASB 102 ■ Certain Risk Disclosures

Effective 06/15/2025 (your FY 2025)

This standard requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. We do not expect this standard to have any significant effect on the District.

GASB 103 ■ Financial Reporting Model Improvements

Effective 06/15/2026 (your FY 2026)

This standard establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following: a. management’s discussion and analysis (MD&A), b. unusual or infrequent items, c. presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, d. information about major component units in basic financial statements, e. budgetary comparison information, and f. financial trends information in the statistical section.



ESCANABA AREA PUBLIC SCHOOLS

Attachment C – Management Representations

For the June 30, 2024 Audit

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

ESCANABA AREA PUBLIC SCHOOLS

District Administration Office
1500 Ludington Street
Escanaba, MI 49829

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

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

October 11, 2024

Rehmann Robson
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, each major fund, and the aggregate remaining fund information of **Escanaba Area Public Schools** (the "District"), as of and for the year ended June 30, 2024, 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, results of operations, and the budgetary comparison for the General Fund of the District in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

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

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 11, 2024.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 17, 2024 for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. With respect to the nonattest services provided, which include any assistance you provided in drafting the financial statements and related notes, proposing standard, adjusting, correcting or GASB 34 conversion journal entries, and assistance in completing portions of the Data Collection form, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.

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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
9. The effects of 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.
10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
11. 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.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative GASB criteria for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.

21. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
22. We are responsible for the fair presentation of the District's proportionate share of the net pension liability and net other postemployment benefit (asset) liability 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.
23. 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.
24. 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.
25. 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.
26. All required filings of the single-employer OPEB Plan's documents with the appropriate agencies have been made.
27. The single-employer OPEB Plan (and the trust established by the Plan) is qualified under the appropriate section of the internal revenue code and we intend to continue as a qualified plan (and trust). The Plan sponsor has operated the Plan in a manner that did not jeopardize this tax status.
28. The single-employer OPEB Plan has complied with the Department of Labor's regulations concerning the timely remittance of participants' contributions to trusts containing assets of the Plan.
29. The single-employer OPEB Plan's management has obtained and reviewed the relevant service auditor's SOC-1 reports and management is performing the applicable user control.

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 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.
40. 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.
41. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
42. The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
43. We have disclosed to you all guarantees, whether written or oral, under which the District is contingently liable.
44. 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.
45. 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.
- 46. 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.
- 47. 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.
- 48. 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

- 49. 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

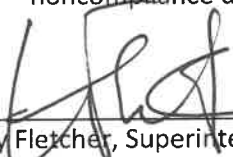
- 50. With respect to the required supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. 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)

51. 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 protected 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, 2024 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
Governmental activities					
Unrecorded lease asset/liability	\$ (27,722)	\$ (28,699)	\$ 321	\$ -	\$ (656)
Misstatement as a percentage of total program and general revenues - governmental activities	-0.08%	-0.08%	0.00%	0.00%	0.00%