

**EAU CLAIRE PUBLIC SCHOOLS**

**FINANCIAL STATEMENTS**

**June 30, 2014**

**EAU CLAIRE PUBLIC SCHOOLS**

**FINANCIAL STATEMENTS**

**June 30, 2014**

**CONTENTS**

	<u>Page</u>
MANAGEMENT DISCUSSION AND ANALYSIS.....	I-XI
INDEPENDENT AUDITOR'S REPORT.....	1-3
<b>BASIC FINANCIAL STATEMENTS</b>	
District-wide Financial Statements:	
Statement of Net Position .....	4
Statement of Activities.....	5
Fund Financial Statements:	
Governmental Funds - Balance Sheet .....	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	7
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances.....	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	9
Fiduciary Fund:	
Statement of Net Position .....	10
Notes to Financial Statements .....	11-23
<b>REQUIRED SUPPLEMENTAL INFORMATION:</b>	
General Fund - Budgetary Comparison Schedule.....	24
<b>OTHER SUPPLEMENTAL INFORMATION</b>	
Nonmajor Governmental Fund - Food Service - Combining Balance Sheet .....	25
Nonmajor Governmental Fund - Food Service - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	26
General Fund:	
Schedule of Revenues - Budget and Actual .....	27
Schedule of Expenditures - Budget and Actual .....	28-32

## CONTENTS

### OTHER SUPPLEMENTAL INFORMATION - CONTINUED

	<u>Page</u>
Debt Service Funds:	
Combining Balance Sheet .....	33
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	34
School Bonds:	
Schedule of Interest and Principal Payments	
2009 Refunding Bonds .....	35
2012 School Building and Site Bonds .....	36
Federal Programs:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	37-38
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	39-40
Schedule of Expenditures of Federal Awards .....	41-42
Notes to Schedule of Expenditures of Federal Awards.....	43
Schedule of Findings and Questioned Costs .....	44-46
Summary Schedule of Prior Year Audit Findings .....	47-48

# EAU CLAIRE PUBLIC SCHOOLS

## OFFICE OF THE SUPERINTENDENT

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Vice President – Susan Vanderburg  
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Treasurer – Anita Harner  
Trustees – Connie Harmon  
David Krugh  
David Sprague

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Superintendent  
Kevin Walters

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### Management’s Discussion and Analysis For Fiscal Year Ended June 30, 2014

The Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Eau Claire Public Schools’ Management’s discussion and analysis of the financial results for the fiscal year ended June 30, 2014.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

#### **Fund Financial Statements:**

The fund level financial statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” The District’s major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including Debt Funds and the School Service Funds, which are comprised of Food Service and various Activity Accounts.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future years’ debt obligations are not recorded.

#### **District-Wide Financial Statements:**

The District-wide financial statements are full accrual basis statements. They report all of the District’s assets and liabilities, both short and long-term, regardless if they are “currently” available or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

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### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

#### Summary of Net Position:

The following summarizes the net position at fiscal years ended June 30, 2014 and June 30, 2013.

#### Net Position Summary

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>Assets</b>		
Current assets	\$ 5,571,036	\$ 7,178,233
Noncurrent assets	\$ -	\$ 27,965
Capital assets	\$ 14,318,916	\$ 13,293,550
Less: Accumulated depreciation	<u>(6,614,419)</u>	<u>(6,644,698)</u>
Capital assets, net book value	<u>\$ 7,704,497</u>	<u>\$ 6,648,852</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 13,275,533</b></u>	<u><b>\$ 13,855,050</b></u>
<b>Liabilities</b>		
Current liabilities	\$ 1,797,008	\$ 2,207,762
Long-term liabilities	<u>5,092,154</u>	<u>5,368,591</u>
Total Liabilities	<u>\$ 6,889,162</u>	<u>\$ 7,576,353</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 2,433,687	\$ 1,112,196
Restricted	1,795,020	3,352,367
Unrestricted	<u>2,157,664</u>	<u>1,814,134</u>
Total Net Position	<u>\$ 6,386,371</u>	<u>\$ 6,278,697</u>
Total Liabilities and Net Position	<u><b>\$ 13,275,533</b></u>	<u><b>\$ 13,855,050</b></u>

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### Management’s Discussion and Analysis For Fiscal Year Ended June 30, 2014

#### Analysis of Financial Position:

During fiscal year ended June 30, 2014 the District’s net position increased by \$107,674. A few of the significant factors affecting net position during the year are discussed below:

#### A. General Fund Operations

The District’s revenues from General Fund operations exceeded expenditures by \$323,961 for the fiscal year ended June 30, 2014. See the section entitled Results of Operations, below, for further discussion of General Fund operations.

#### B. Debt, Principal Payments

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District’s long-term liabilities by \$275,000.

	<u>Principal Balance June 30, 2013</u>	<u>Additions (Reductions)</u>	<u>Principal Balance June 30, 2014</u>
2007 Qualified Zone Academy Bonds	\$1,500,000	\$ -	\$1,500,000
2009 Qualified Zone Academy Bonds	700,000	-	700,000
2009 Refunding Bonds	340,000	(170,000)	170,000
2012 Building and Site Bond	<u>3,000,000</u>	<u>(105,000)</u>	<u>2,895,000</u>
Total Long-Term Bond Obligations	<u>\$ 5,540,000</u>	<u>\$ (275,000)</u>	<u>\$ 5,265,000</u>

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### Management’s Discussion and Analysis For Fiscal Year Ended June 30, 2014

#### C. Net Investment in Capital Assets

The District’s net investment in capital assets increased \$1,055,645 during the fiscal year. This can be summarized as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets	\$ 13,293,550	\$ 1,437,467	\$ 412,101	\$ 14,318,916
Less: Accumulated depreciation	<u>(6,644,698)</u>	<u>(364,014)</u>	<u>(394,293)</u>	<u>(6,614,419)</u>
Net Investment Capital Outlay	<u>\$ 6,648,852</u>	<u>\$ 1,073,453</u>	<u>\$ 17,808</u>	<u>\$ 7,704,497</u>

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### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

#### Results of Operations:

For the fiscal years ended June 30, 2014 and 2013 the District-wide results of operations were:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>Revenues:</b>		
General Revenues:		
Property taxes levied for general operations	\$ 493,509	\$ 444,522
Property taxes levied for debt service	301,518	368,563
State of Michigan unrestricted foundation aid	3,418,786	3,391,590
Interest and investment earnings	16,229	13,289
Other general revenues	<u>5,109</u>	<u>63,172</u>
Total General Revenues	<u>\$ 4,235,151</u>	<u>\$ 4,281,136</u>
Operating Grants:		
Federal	\$ 1,983,409	\$ 1,882,653
State of Michigan	<u>3,122,173</u>	<u>3,007,714</u>
Total Operating Grants	<u>\$ 5,105,582</u>	<u>\$ 4,890,367</u>
Charges for Services	<u>\$ 37,555</u>	<u>\$ 11,085</u>
Total Revenues	<u>\$ 9,378,288</u>	<u>\$ 9,182,588</u>
<b>Expenses:</b>		
Instruction and instructional support	\$ 4,876,887	\$ 4,858,037
Support services	2,758,746	2,240,290
Athletic services	368,926	-
Food services	506,128	453,008
Community	21,834	13,827
Facility improvements	279,602	415,460
Interest on long-term debt	55,651	53,213
Depreciation	<u>364,014</u>	<u>315,315</u>
Total Expenses	<u>\$ 9,231,788</u>	<u>\$ 8,349,150</u>
Increase (decrease) in Net Position	\$ 146,500	\$ 833,438
Beginning Net Position	6,278,697	5,445,259
Prior Period Adjustment	<u>(38,826)</u>	<u>-</u>
Ending Net Position	<u>\$ 6,386,371</u>	<u>\$ 6,278,697</u>



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### Management’s Discussion and Analysis For Fiscal Year Ended June 30, 2014

#### 1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 90 percent of current year’s fall count and 10 percent of current year’s winter count
- c. The District’s non-homestead levy

#### Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Eau Claire Public Schools’ foundation allowance was \$7,026 per student for the 2013-2014 school year. This represents a \$60 increase in allowance, as the foundation allowance for the 2012-2013 school year was \$6,966 per student.

#### Student Enrollment:

The District’s student full time equivalent (FTE) for the fall count of 2013-2014 was 861.68 students. The following summarizes the FTEs for the past five years:

Fiscal Year	FTE History			
	State Aid	Change From	Prior Year's	Current Year's
	Membership	Prior Year	Winter Count	Fall Count
2013-2014	861.14	4.3	745.93	867.92
2012-2013	856.84	67.85	696.91	866.30
2011-2012	788.99	(1.32)	688.54	800.15
2010-2011	790.31	5.67	679.00	827.41
2009-2010	784.64	57.43	654.53	828.00

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### Management’s Discussion and Analysis For Fiscal Year Ended June 30, 2014

#### 2. Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)

The District levied 18.000 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan Law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year’s CPI increase or 5 percent, whichever is less. At the time of sale, a property’s taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District’s non-homestead property revenue for the 2013-2014 fiscal year was 493,509. The non-homestead tax levy increased by 11.02 percent over the prior year.

The following summarizes the District’s non-homestead levy the past five years:

<u>Levy</u>	<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>% Increase From</u>	<u>Prior Year</u>	<u>Property Value</u>
18.0000	2013-2014	493,509	11.02%	\$	25,027,517
18.0000	2012-2013	444,522	(7.10%)		25,078,670
18.0000	2011-2012	478,499	3.01%		25,690,515
18.0000	2010-2011	464,528	0.47%		25,643,949
18.0000	2009-2010	462,350	9.58%		25,533,899
	Average Increase Last 5 Years		3.40%		

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### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

#### **3. Debt Fund Property and Industrial Facility in Lieu of Taxes**

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties, homestead and non-homestead.

For 2013-2014, the District's debt millage levy was 2.57 mills that generated revenue of \$301,518.

#### **4. School Lunch Program**

The actual expenses from Food Service operations exceeded total revenues for the year for a decrease of \$6,796. The final school lunch program budget for the year was a \$7,300 increase while the original budget contained a \$7,300 increase in fund balance.

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### Management’s Discussion and Analysis For Fiscal Year Ended June 30, 2014

#### GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

##### General Fund Expenditures Budget vs. Actual 5-Year History

Fiscal Year	Original Budget	Final Budget	Actual	Variance Actual to Original Budget	Variance Actual to Final Budget
2009-2010	6,691,732	6,938,033	6,809,530	1.76%	(1.85%)
2010-2011	7,239,737	7,570,543	7,534,265	4.07%	(0.48%)
2011-2012	7,627,018	7,583,892	7,412,750	(2.81%)	(2.26%)
2012-2013	7,662,365	8,393,896	7,586,358	(1.00%)	(10.64%)
2013-2014	8,744,852	8,744,852	8,080,710	(8.02%)	(8.02%)
Five Year Average Over (Under) Budget				(1.20%)	(4.65%)

##### General Fund Revenue Budget vs. Actual 5-Year History

Fiscal Year	Original Budget	Final Budget	Actual	Variance Actual to Original Budget	Variance Actual to Final Budget
2009-2010	7,111,488	7,710,191	7,562,238	6.34%	(1.92%)
2010-2011	7,353,564	8,030,431	7,613,391	3.53%	(5.19%)
2011-2012	7,727,080	8,037,021	8,049,969	4.18%	0.16%
2012-2013	7,791,863	8,745,814	8,317,416	6.32%	(5.15%)
2013-2014	8,874,683	8,874,683	8,580,835	(3.42%)	(3.42%)
Five Year Average Over (Under) Budget				3.39	(3.10%)

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### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

#### Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that that local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

The original budget was the final budget for the fiscal year.

#### Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$8,874,683	100.0%
Total Revenues Final Budget	<u>8,874,683</u>	<u>100.0%</u>
Increase in Budgeted Revenues	<u>\$ 0</u>	<u>0%</u>

The District's actual general fund revenues were \$8,580,835 - \$293,848 less than final budget, a variance of (3.42) percent.

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### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

#### General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

		<u>Percent</u>
Total Expenditures Original Budget	\$8,744,852	100.0%
Total Expenditures Final Budget	<u>8,744,852</u>	<u>100.0%</u>
Increase in Budgeted Expenditures	<u>\$ 0</u>	<u>0%</u>

The District's actual expenditures were \$8,080,710 - \$664,142 less than the final budget, a variance of 8.02 percent.

#### Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Eau Claire Public Schools.

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

August 11, 2014

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Eau Claire Public Schools  
Eau Claire, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eau Claire Public Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## INDEPENDENT AUDITOR'S REPORT - Continued

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eau Claire Public Schools as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages I through XI and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eau Claire Public Schools' financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, combining and individual nonmajor fund financial statements and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



## INDEPENDENT AUDITOR'S REPORT - Continued

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2014, on our consideration of Eau Claire Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Eau Claire Public Schools' internal control over financial reporting and compliance.

*Beckel & Company, P.C.*

**EAU CLAIRE PUBLIC SCHOOLS**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents - NOTE 2	\$ 3,993,698
Accounts receivable	4,100
Due from other governments	1,571,180
Inventory - NOTE 1G	407
Prepaid expenditures	<u>1,651</u>
Total Current Assets	<u>\$ 5,571,036</u>
<b>Noncurrent Assets</b>	
Nondepreciable capital assets:	
Land - NOTE 3	\$ 154,000
Capital assets net of accumulated depreciation:	
Building and site improvements - NOTE 3	6,883,431
Buses and other vehicles - NOTE 3	218,129
Furniture and equipment - NOTE 3	<u>448,937</u>
Total Noncurrent Assets	<u>\$ 7,704,497</u>
TOTAL ASSETS	<u>\$ 13,275,533</u>

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

	<b>Governmental Activities</b>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 118,487
Accrued salaries and withholding	773,065
Accrued interest	14,646
Bonds payable, due within one year - NOTE 4	285,000
Unamortized bond premium, due within one year	5,810
Revenue anticipation notes payable	<u>600,000</u>
Total Current Liabilities	<u>\$ 1,797,008</u>
<b>Noncurrent Liabilities</b>	
Bonds payable - NOTE 4	\$ 4,980,000
Compensated absences and severance pay - NOTE 4	<u>112,154</u>
Total Noncurrent Liabilities	<u>\$ 5,092,154</u>
Total Liabilities	<u>\$ 6,889,162</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 2,433,687
Restricted for debt service	950,001
Restricted for food service	67,315
Restricted for capital projects	777,704
Unrestricted	<u>2,157,664</u>
Total Net Position	<u>\$ 6,386,371</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 13,275,533</u>

**EAU CLAIRE PUBLIC SCHOOLS**  
**Statement of Activities**  
**June 30, 2014**

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Net (Expense)</u>
		<u>Services</u>	<u>Grants</u>	<u>Revenue and</u>
				<u>Changes in Net</u>
				<u>Assets</u>
Governmental Activities:				
Instruction and instructional support	\$ 4,876,887	\$ -	\$ 4,618,895	\$ (257,992)
Support services	2,758,746	5,078	-	(2,753,668)
Athletic services	368,926	19,873	-	(349,053)
Community	21,834	-	-	(21,834)
Facility improvements	279,602	-	-	(279,602)
Food services	506,128	12,604	486,687	(6,837)
Interest on long-term debt	55,651	-	-	(55,651)
Depreciation (unallocated)	364,014	-	-	(364,014)
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total Governmental Activities	<u>\$ 9,231,788</u>	<u>\$ 37,555</u>	<u>\$ 5,105,582</u>	<u>\$ (4,088,651)</u>
General Revenues:				
Taxes:				
Property taxes, levied for general operations				\$ 493,509
Property taxes, levied for debt service				301,518
State of Michigan aid, unrestricted				3,418,786
Interest and investment earnings				16,229
Other				22,917
Loss on sale of capital assets				<u>(17,808)</u>
				<u>                  </u>
Total General Revenues				<u>\$ 4,235,151</u>
				<u>                  </u>
Change In Net Position				\$ 146,500
				<u>                  </u>
Net Position, July 1, 2013				6,278,697
				<u>                  </u>
Prior period adjustment - NOTE 13				(38,826)
				<u>                  </u>
NET POSITION, END OF YEAR				<u>\$ 6,386,371</u>

**EAU CLAIRE PUBLIC SCHOOLS  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2014**

	<u>General</u>	<u>2012 Capital Project</u>	<u>Debt Service Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash	\$ 2,158,133	\$ 817,019	\$ 950,001	\$ 68,545	\$ 3,993,698
Accounts receivable	4,100	-	-	-	4,100
Due from other funds	16,854	-	14,285	-	31,139
Due from other governments	1,543,592	-	-	27,588	1,571,180
Inventory	-	-	-	407	407
Prepaid	1,651	-	-	-	1,651
	<u>3,724,330</u>	<u>817,019</u>	<u>964,286</u>	<u>96,540</u>	<u>5,602,175</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,724,330</u></b>	<b><u>\$ 817,019</u></b>	<b><u>\$ 964,286</u></b>	<b><u>\$ 96,540</u></b>	<b><u>\$ 5,602,175</u></b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 71,265	\$ 39,315	\$ -	\$ 7,907	\$ 118,487
Salaries payable	491,425	-	-	4,464	495,889
Accrued liabilities	277,176	-	-	-	277,176
Accrued interest payable	3,820	-	-	-	3,820
Due to other funds	-	-	14,285	16,854	31,139
Revenue anticipation note payable	600,000	-	-	-	600,000
	<u>1,443,686</u>	<u>39,315</u>	<u>14,285</u>	<u>29,225</u>	<u>1,526,511</u>
<b>Total Liabilities</b>	<b><u>\$ 1,443,686</u></b>	<b><u>\$ 39,315</u></b>	<b><u>\$ 14,285</u></b>	<b><u>\$ 29,225</u></b>	<b><u>\$ 1,526,511</u></b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	\$ -	\$ -	\$ -	\$ 407	\$ 407
Prepaid	1,651	-	-	-	1,651
<b>Restricted for:</b>					
Food service	-	-	-	66,908	66,908
Debt service	-	-	950,001	-	950,001
Capital projects	-	777,704	-	-	777,704
<b>Unassigned, reported in:</b>					
General fund	2,278,993	-	-	-	2,278,993
	<u>2,280,644</u>	<u>777,704</u>	<u>950,001</u>	<u>67,315</u>	<u>4,075,664</u>
<b>Total Fund Balances</b>	<b><u>\$ 2,280,644</u></b>	<b><u>\$ 777,704</u></b>	<b><u>\$ 950,001</u></b>	<b><u>\$ 67,315</u></b>	<b><u>\$ 4,075,664</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,724,330</u></b>	<b><u>\$ 817,019</u></b>	<b><u>\$ 964,286</u></b>	<b><u>\$ 96,540</u></b>	<b><u>\$ 5,602,175</u></b>

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

**EAU CLAIRE PUBLIC SCHOOLS**  
**Reconciliation of the Governmental Funds Balance**  
**Sheet to the Statement of Net Position**  
**June 30, 2014**

Total Governmental Fund Balances	\$ 4,075,664
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Amounts reported for governmental activities in the statement of net position are different because:

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

The cost of the capital assets is	\$ 14,318,916	
Accumulated depreciation is	<u>(6,614,419)</u>	7,704,497

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Bonds payable	(5,265,000)	
Unamortized bond premium	(5,810)	
Compensated absences	(112,154)	

Accrued interest payable more than sixty days after the current period is not included as a liability in governmental funds.		<u>(10,826)</u>
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Net position of governmental activities	<u>\$ 6,386,371</u>
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**EAU CLAIRE PUBLIC SCHOOLS  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Year Ended June 30, 2014**

	<u>General</u>	<u>2012 Capital Projects</u>	<u>Debt Service Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Local sources:					
Property taxes	\$ 493,509	\$ -	\$ 301,518	\$ -	\$ 795,027
Charges for services	24,951	-	-	12,604	37,555
Interest	1,777	-	14,411	41	16,229
Other local revenue	22,917	-	-	-	22,917
State sources	6,523,068	-	-	17,891	6,540,959
Federal sources	<u>1,514,613</u>	<u>-</u>	<u>-</u>	<u>468,796</u>	<u>1,983,409</u>
 Total Revenues	 <u>\$ 8,580,835</u>	 <u>\$ -</u>	 <u>\$ 315,929</u>	 <u>\$ 499,332</u>	 <u>\$ 9,396,096</u>
<b>Expenditures:</b>					
Instruction	\$ 4,861,185	\$ -	\$ -	\$ -	\$ 4,861,185
Support services	3,189,176	212,914	-	-	3,402,090
Community	21,834	-	-	-	21,834
Facility improvements	-	1,435,464	-	-	1,435,464
Food service	-	-	-	506,128	506,128
Payments to other governments	8,515	-	-	-	8,515
Debt service:					
Debt repayment	-	-	275,000	-	275,000
Interest and debt service charges	<u>-</u>	<u>-</u>	<u>74,498</u>	<u>-</u>	<u>74,498</u>
 Total Expenditures	 <u>\$ 8,080,710</u>	 <u>\$ 1,648,378</u>	 <u>\$ 349,498</u>	 <u>\$ 506,128</u>	 <u>\$ 10,584,714</u>
 Revenues Over (Under) Expenditures	 <u>\$ 500,125</u>	 <u>\$(1,648,378)</u>	 <u>\$ (33,569)</u>	 <u>\$ (6,796)</u>	 <u>\$ (1,188,618)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	\$ -	\$ -	\$ 176,164	\$ -	\$ 176,164
Operating transfers out	<u>(176,164)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(176,164)</u>
 Total Other Financing Sources (Uses)	 <u>\$ (176,164)</u>	 <u>\$ -</u>	 <u>\$ 176,164</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Net Change in Fund Balance	 <u>\$ 323,961</u>	 <u>\$(1,648,378)</u>	 <u>\$ 142,595</u>	 <u>\$ (6,796)</u>	 <u>\$ (1,188,618)</u>
Fund Balances, Beginning of Year	<u>1,956,683</u>	<u>2,426,082</u>	<u>807,406</u>	<u>74,111</u>	<u>5,264,282</u>
 FUND BALANCES, END OF YEAR	 <u>\$ 2,280,644</u>	 <u>\$ 777,704</u>	 <u>\$ 950,001</u>	 <u>\$ 67,315</u>	 <u>\$ 4,075,664</u>

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

**EAU CLAIRE PUBLIC SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ (1,188,618)

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$ (364,014)	
Capital outlay	<u>1,437,467</u>	1,073,453

Net book value of disposed assets not reflected in the governmental funds (17,808)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid. 1,415

Bond premium is amortized and recorded in the statement of activities when incurred; it is reported in governmental funds when received. 17,431

Repayments of bond principal are an expenditure in the governmental funds, but not in the statement of activities (where they reduce long-term debt). 275,000

Increases in compensated absences are not reported in the governmental funds. (14,373)

Change in Net Position of Governmental Activities \$ 146,500



**EAU CLAIRE PUBLIC SCHOOLS  
FIDUCIARY FUND  
Statement of Net Position  
June 30, 2014**

	<b>Agency Fund</b>
<b>Assets</b>	
Cash	\$ 110,200
Investments - NOTE 2B	<u>47,504</u>
Total Assets	<u>\$ 157,704</u>
<b>Liabilities</b>	
Due to student groups	<u>\$ 157,704</u>

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Eau Claire Public Schools (the "District") conform to accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

**A. Reporting Entity:**

The Eau Claire Public Schools' Board of Education ("Board") is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the area comprised by the District. The Board receives funding from State and Federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity," as defined by Governmental Accounting Standards Board ("GASB") Statement 14, since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, under the criteria of the GASB pronouncement, student, parent, and teacher organizations are not included, except to the extent that the District holds assets in the capacity of an agent.

**B. Basic Financial Statements:**

**Government-wide Statements** - The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business-type. All of the District's activities are classified as governmental activities.

In the government-wide Statement of Net Position, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are divided into three components.

**Net Investment in Capital Assets** - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources to those assets.

**Restricted Net Position** - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Township's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

**Unrestricted Net Position** - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Township.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Basic Financial Statements - Continued:**

**Government-wide Statements - Continued:**

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.)

The District does not allocate indirect costs. In creating the government-wide financial statements, the District has eliminated interfund transactions.

This government-wide focus is more on the sustainability of the School District as an entity and the change in the School District's net position resulting from the current year's activities.

**Fund Statements** - The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental funds are defined as follows:

**General Fund** - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt retirement or capital projects.

**Debt Service Funds** - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Capital Projects Fund** - 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.

Fiduciary funds are defined as follows:

**Agency Funds** - Agency Funds are used to account for assets held by the School District as an agent for student activity organizations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Basic Financial Statements - Continued:**

Fund balance is comprised of five classifications as follows:

**Nonspendable Fund Balance** - The nonspendable fund balance category represents amounts that are not in a spendable form or are required to be maintained intact.

**Restricted Fund Balance** - The restricted fund balance category represents amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

**Committed Fund Balance** - The committed fund balance category represents amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.

**Assigned Fund Balance** - The assigned fund balance category represents amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.

**Unassigned Fund Balance** - The unassigned fund balance category represents amounts that are available for any purpose; these amounts are reported only in the general fund.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted (nonspendable) or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**C. Basis of Accounting:**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**ACCRUAL**

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**MODIFIED ACCRUAL**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Eau Claire Public Schools considers revenues to be available if they are collected within 60 days of the end of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Encumbrances:**

Encumbrance accounting provides for the recording of purchase orders, contracts, and other commitments that have not been performed. The recording facilitates the reservation of the corresponding appropriation. No encumbrances were required to be recorded at June 30, 2014.

**E. Budgets and Budgetary Accounting:**

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the superintendent of the School District submits to the school board a proposed operating budget for the fiscal year commencing July 1 of that year. The operating budget includes proposed expenditures and the means of financing them for the General Fund, and Special Revenue Funds.
2. Prior to July 1, the budget is legally enacted through passage of a resolution, and in accordance with Public Act 621 of the State.
3. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
4. The School District is required under Public Act 621 of 1978 and by accounting principles generally accepted in the United States of America to adopt a budget for the General Fund and individual Special Revenue Funds.
5. Budget amounts are reported in the financial statements as originally adopted and as amended by the Board of Education.

**F. Cash and Cash Equivalents:**

For the purposes of balance sheet classification, the District considers its investments in highly liquid pooled money funds to be cash equivalents.

**G. Inventory:**

Inventory is valued at the lower of cost (first-in, first-out) or market. The inventory in the Food Service Fund includes food and expendable supplies.

**H. Capital Assets:**

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 two years. Such assets are recorded at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. Capital Assets - Continued:**

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. Improvements are capitalized and depreciated over the remaining lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	25-50 years
Buses and other vehicles	8 years
Furniture and other equipment	10 years

**I. Property Tax Revenue:**

Property taxes attach as an enforceable lien on property as of December 31, and are levied on the following December 1. Property taxes become available for expenditure and are thus recognized as revenue in the fiscal year they are levied.

**J. Risk Management:**

The District carries commercial insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year.

**K. Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Cash:**

Deposits and investments are stated at cost. Various state laws authorize the School District to deposit in federally insured banks, credit unions and savings and loan associations, and to invest in various U.S. government, federal agency, and instrumentality obligations. All deposits are held in the name of the Eau Claire Public Schools. The School District's deposits and investments are in accordance with statutory authority.

**Custodial Credit Risk - Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2014, the carrying amount of the District's deposits was \$4,103,898 and the respective bank balances totaled \$4,100,847. The exposure to custodial credit risk is as follows:

Insured by the FDIC	\$ 250,000
Uninsured and uncollateralized	<u>3,850,847</u>
	<u>\$ 4,100,847</u>

**B. Investments:**

The District does not have an investment policy, but is in accordance with statutory authority. All highly liquid investments with a maturity of six months or less are defined as cash equivalents. All investments are reported at fair value. Since the common stock investment is part of the fiduciary funds, the District is not subject to credit risk or interest rate risk for the investment.

	<b>Market Value</b>
Fiduciary Funds:	
Common Stock	<u>\$ 47,504</u>

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 3 - CAPITAL ASSETS**

A summary of changes in governmental capital assets follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets not being depreciated:				
Land	\$ 154,000	\$ -	\$ -	\$ 154,000
Construction in Progress	<u>576,779</u>	<u>-</u>	<u>(576,779)</u>	<u>-</u>
Subtotal	<u>\$ 730,779</u>	<u>\$ -</u>	<u>\$ (576,779)</u>	<u>\$ 154,000</u>
Other capital assets:				
Building and site improvements	\$ 11,075,391	\$ 1,572,006	\$ (324,127)	\$ 12,323,270
Buses and other vehicles	730,112	83,244	-	813,356
Furniture and equipment	<u>757,268</u>	<u>358,996</u>	<u>(87,974)</u>	<u>1,028,290</u>
Subtotal	<u>\$ 12,562,771</u>	<u>\$ 2,014,246</u>	<u>\$ (412,101)</u>	<u>\$ 14,164,916</u>
Accumulated depreciation:				
Building and site improvements	\$ (5,495,647)	\$ (250,511)	\$ 306,319	\$ (5,439,839)
Buses and other vehicles	(542,393)	(52,834)	-	(595,227)
Furniture and equipment	<u>(606,658)</u>	<u>(60,669)</u>	<u>87,974</u>	<u>(579,353)</u>
Subtotal	<u>\$ (6,644,698)</u>	<u>\$ (364,014)</u>	<u>\$ 394,293</u>	<u>\$ (6,614,419)</u>
Net other capital assets	<u>\$ 5,918,073</u>	<u>\$ 1,650,232</u>	<u>\$ (17,808)</u>	<u>\$ 7,550,497</u>
Net capital assets	<u>\$ 6,648,852</u>	<u>\$ 1,650,232</u>	<u>\$ (594,587)</u>	<u>\$ 7,704,497</u>

Depreciation for the fiscal year ended June 30, 2014 amounted to \$364,014. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.



**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 4 - LONG-TERM DEBT**

The following is a summary of debt transactions of the School District for the year ended June 30, 2014:

Bonds payable at June 30, 2014 are composed of:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
2007 Qualified Zone Academy Bonds due in one installment of \$1,500,000 on June 18, 2022 with interest at 0%.	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000	\$ -
2009 Qualified Zone Academy Bonds due in one installment of \$700,000 on July 9, 2024 with interest at 0%.	700,000	-	-	700,000	-
2009 Refunding Bond due in annual installments of \$170,000 through May 1, 2015; interest rate at 5.00%.	340,000	-	(170,000)	170,000	170,000
2012 School Building and Site Bonds due in annual installments of \$105,000 to \$340,000 through May 1, 2024; interest rate at 0.90% to 2.70%.	<u>3,000,000</u>	<u>-</u>	<u>(105,000)</u>	<u>2,895,000</u>	<u>115,000</u>
	\$ 5,540,000	\$ -	\$ (275,000)	\$ 5,265,000	\$ 285,000
Compensated absences and termination benefits.	<u>97,781</u>	<u>14,373</u>	<u>-</u>	<u>112,154</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 5,637,781</u>	<u>\$ 14,373</u>	<u>\$ (275,000)</u>	<u>\$ 5,377,154</u>	<u>\$ 285,000</u>

The annual requirements to amortize all applicable debt outstanding excluding compensated absences of \$112,154 as of June 30, 2014, including interest payments of \$390,827 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Debt</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 285,000	\$ 64,952	\$ 349,952
2016	270,000	55,246	325,246
2017	280,000	52,274	332,274
2018	290,000	48,775	338,775
2019	300,000	44,280	344,280
2020-2024	3,140,000	125,300	3,265,300
2025	<u>700,000</u>	<u>-</u>	<u>700,000</u>
	<u>\$ 5,265,000</u>	<u>\$ 390,827</u>	<u>\$ 5,655,827</u>

The compensated absences liability attributable to the governmental activities will be liquidated by the fund in which it originates primarily by the General Fund.

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 5 - SHORT-TERM DEBT**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
A State aid loan was obtained during the year ended June 30, 2014 for operating purposes. The \$600,000 note and interest at .74% matures on August 20, 2014.	\$ -	\$ 600,000	\$ -	\$ 600,000

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

The composition of interfund balances as of June 30, 2014, is as follows:

	<u>Interfund</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>
General Fund	\$ 16,854	\$ -
2009 Debt Retirement Fund	14,285	-
2012 Debt Retirement Fund	-	14,285
Food Service Fund	-	16,854
	<u>\$ 31,139</u>	<u>\$ 31,139</u>

The Food Service Fund owes the General Fund \$16,854 for general expenditures.

The 2012 Debt Retirement Fund owes the 2009 Debt Retirement Fund \$14,285 for debt service expenditures.

During the year the General Fund transferred \$176,164 to the QZAB Debt Funds for future payment of debt.

**NOTE 7 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Expenditures Over Budgets**

The General Fund incurred expenditures in excess of appropriations in the activities indicated below:

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u> <u>Over</u> <u>Budget</u>
General Fund:			
Instruction			
Basic Programs	\$ 3,346,954	\$ 3,353,675	\$ (6,721)
Support			
Pupil	319,545	350,762	(31,217)
School Administration	401,180	413,475	(12,295)
Operations and Maintenance	520,836	574,739	(53,903)
Transportation	573,319	581,277	(7,958)
Central Services	115,589	117,897	(2,308)
Other Supporting Services	308,700	380,003	(71,303)

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 8 - PENSION PLAN**

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

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

**Funding Policy**

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature.

**Employer**

The District's contributions to MPERS for the years ended, 2014, 2013, and 2012 were approximately \$1,072,530, \$993,538, and \$941,243 respectively, equal to the required contributions for each year. The State of Michigan Office of Retirement Services revised the fiscal year 2013-2014 Employer Contribution Rate, effective October 1, 2013. The employer contribution breakdown including the MPERS UAAL Stabilization Rate as of June 30, 2014 is as follows:

	<u>Defined Benefit</u>	<u>Defined Contribution</u>
Basic Member Investment Plan - <i>First worked before 7/1/10</i>	29.35%	0.00%
Pension Plus - <i>First worked on or after 7/1/10 through 9/4/12</i>	29.12%	1.00%
Pension Plus Personal Healthcare Fund - <i>First worked 9/4/12 or later</i>	28.19%	3.00%
Pension Plus to Defined Contribution with Personal Healthcare Fund - <i>First worked 9/4/12 or later</i>	25.52%	5.00%
Basic Member Investment Plan Defined Benefit to Defined Contribution with Defined Benefit Health	26.45%	4.00%
Basic Member Investment Plan Defined Benefit to Defined Contribution with Personal Healthcare Fund	25.52%	6.00%
Basic Member Investment Plan with Personal Healthcare Fund	28.42%	2.00%

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 8 - PENSION PLAN - Continued**

**Employee**

The employee's contributions to MPSERS for the years ended, 2014, 2013, and 2012 were approximately \$309,778, \$298,505, and \$251,956 respectively. There are eight retirement plans which are discussed below as of June 30, 2014.

**Basic Plan** members do not make personal contributions to the pension fund.

**Member Investment Plan (MIP)** members have three MIP plans which are MIP Fixed, Graded, or Plus. MIP Fixed members enrolled prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. MIP Graded members hired January 1, 1990 through June 30, 2008 contribute at the following graduated permanently fixed contribution rate: 3% for the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. MIP Plus members hired July 1, 2008 through June 30, 2010 contribute at the following graduated permanently fixed rate: 3% for the first \$5,000; \$150 plus 3.6% from \$5,001 to \$15,000 (up to \$510); \$510 plus 6.4% over \$15,000.

**Pension Plus Plan** members who first worked on or after July 1, 2010, participate in the Pension Plus Plan. The Pension Plus Plan combines a defined benefit (DB) plan and a defined contribution (DC) plan. For the DC portion of the Pension Plan, members are automatically enrolled to contribute 2% of their gross wages. The member has the option to increase or decrease this contribution. The employer matches 50% of the member's contributions up to a maximum of 1%. For the DB portion of the Pension Plus Plan, members contribute at the following graduated permanently fixed contribution rate: 3% for the first \$5,000; \$150 plus 3.6% from \$5,001 to \$15,000 (up to \$510); \$510 plus 6.4% over \$15,000.

**Basic 4% Plan** members who first worked before July 1, 2010 and were enrolled in the Basic Plan were given the option to participate in this Plan. Members may contribute 4% to the pension fund until they reach 30 years of service or until they terminate employment. When members reach 30 years of service, their contribution rate will return to zero.

**MIP 7% Plan** members who first worked before July 1, 2010 and were enrolled in the MIP Plan were given the option to participate in this Plan. Members may contribute 7% to the pension fund until they reach 30 years of service or until they terminate employment. When members reach 30 years of service, their contribution rate will return to the 3.9% for MIP Fixed, 4.3% for MIP Graded, or up to 6.4% for MIP Plus.

**Basic DC Converted Plan and MIP DC Converted Plan** members who were originally members of the Basic and MIP Plans. The Basic DC Converted Plan and MIP DC Converted Plan combine a defined benefit DB plan and a defined contribution DC plan. Members will keep any DB service credit they accumulate before February 1, 2013, but will then switch to the DC plan for future services. Members of the DC plan will receive a 4% employer contribution. The member may choose to make contributions up to the maximum amount permitted by the IRS.

**Defined Contribution (DC) Plan** members who first worked on or after September 4, 2012, may participate in this plan. Members may choose to make contributions up to the maximum amount permitted by the IRS.

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 8 - PENSION PLAN - Continued**

**Other Post-Employment Benefits**

Post-employment benefits for health, dental, and vision insurance are available at retirement through the Michigan Public School Employees' Retirement System (MPERS). The two healthcare plans are as follows:

**Premium Subsidy** members who first worked before September 4, 2012, may participate in this plan. The members contribute 3% of their compensation to the Retiree Healthcare Fund. If worked before July 1, 2008, members will receive the maximum subsidy allowed by statute when they meet the eligibility requirements. If worked on or after July 1, 2008, but before September 4, 2012, members' insurance premium is graded based on career length.

**Personal Healthcare Fund** members who first worked before September 4, 2012, may participate in this plan. Members who worked on or after September 4, 2012, are automatically enrolled in this plan. Members are automatically enrolled in a 2% employee contribution to a 457 account as of February 1, 2013. Members receive a 2% employer contribution match, which will go into a 401K account. Employer and employee contributions are included as part of the School District's total contributions to the MPERS plan discussed above.

**NOTE 9 - QUALIFIED ZONE ACADEMY BOND (Restricted Investments)**

The District issued \$1,500,000 (General Obligation Limited Tax) Qualified Zone Academy Bonds, Series 2007 Bonds. The District is required to make annual sinking fund deposits with a fiscal agent. The District agrees to deposit fifteen annual sinking fund installments of \$82,831. The District will receive an annual payment equal to an investment return of 2% per year on the total amount invested in the sinking fund and the bank shall receive the remaining interest earned on the sinking fund in excess of 2%. These deposits are accounted for in the Debt Service Fund. The annual set aside payments began on June 18, 2008.

The District issued \$700,000 (General Obligation Limited Tax) Qualified Zone Academy Bonds, Series 2009 Bonds. The District is required to make annual sinking fund deposits with a fiscal agent. The District agrees to deposit fifteen annual sinking fund installments of \$46,667 beginning twelve months from the closing date into a non-interest bearing account with the bank. The annual set aside payments began during the year ended June 30, 2012.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**A. Federal Grants:**

In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the results of these audits is not believed to be material.

**B. State Aid Note:**

State Aid note of \$600,000 was obtained during the year ended June 30, 2014 for operating purposes. The \$600,000 note and interest computed at 0.74% will be payable August 20, 2014. Accrued interest of \$3,820 has been recorded as an expense and a liability at June 30, 2014.

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES - Continued**

**C. Construction**

During the year ended June 30, 2014, as part of the bond project the District had a construction agreement for a new track. Upon completion of the project, the District did not accept the finished project due to several imperfections. As of June 30, 2014, the District was still in negotiations with the contractor as to how the issues should be resolved, and no funds have been disbursed for the project.

**NOTE 11 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES**

For the year ending June 30, 2014, the School District implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

**NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

**NOTE 13 - PRIOR PERIOD ADJUSTMENT**

Due to the new GASB 65 standard, debt service costs are to be expensed rather than amortized. The prior period adjustment reflects the new standard in the amount of \$38,826.

**NOTE 14 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 11, 2014, the date on which the financial statements were available to be issued. There are no material subsequent events.

**EAU CLAIRE PUBLIC SCHOOLS  
GENERAL FUND  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local sources	\$ 467,800	\$ 467,800	\$ 543,154	\$ 75,354
State sources	6,478,854	6,478,854	6,523,068	44,214
Federal sources	<u>1,928,029</u>	<u>1,928,029</u>	<u>1,514,613</u>	<u>(413,416)</u>
 Total Revenues	 <u>\$ 8,874,683</u>	 <u>\$ 8,874,683</u>	 <u>\$ 8,580,835</u>	 <u>\$ (293,848)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Basic programs	\$ 3,346,954	\$ 3,346,954	\$ 3,353,675	\$ (6,721)
Added needs	2,201,037	2,201,037	1,507,510	693,527
Supporting services:				
Pupil services	319,545	319,545	350,762	(31,217)
Instructional staff	485,993	485,993	370,104	115,889
General administration	244,275	244,275	228,455	15,820
School administration	401,180	401,180	413,475	(12,295)
Business services	180,220	180,220	172,464	7,756
Operation and maintenance services	520,836	520,836	574,739	(53,903)
Transportation	573,319	573,319	581,277	(7,958)
Central services	115,589	115,589	117,897	(2,308)
Other supporting services	308,700	308,700	380,003	(71,303)
Community activities	47,204	47,204	21,834	25,370
Payments to other governments	<u>-</u>	<u>-</u>	<u>8,515</u>	<u>(8,515)</u>
 Total Expenditures	 <u>\$ 8,744,852</u>	 <u>\$ 8,744,852</u>	 <u>\$ 8,080,710</u>	 <u>\$ 664,142</u>
 Revenues Over Expenditures	 <u>\$ 129,831</u>	 <u>\$ 129,831</u>	 <u>\$ 500,125</u>	 <u>\$ 370,294</u>
<b>Other Financing Uses:</b>				
Operating transfers out	<u>\$ (129,831)</u>	<u>\$ (129,831)</u>	<u>\$ (176,164)</u>	<u>\$ (46,333)</u>
 Total Other Financing Uses	 <u>\$ (129,831)</u>	 <u>\$ (129,831)</u>	 <u>\$ (176,164)</u>	 <u>\$ (46,333)</u>
 Net Change in Fund Balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 323,961</u>	 <u>\$ 323,961</u>
 Fund Balance, Beginning of Year	 <u>1,956,683</u>	 <u>1,956,683</u>	 <u>1,956,683</u>	 <u>-</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 1,956,683</u>	 <u>\$ 1,956,683</u>	 <u>\$ 2,280,644</u>	 <u>\$ 323,961</u>

**EAU CLAIRE PUBLIC SCHOOLS  
NONMAJOR GOVERNMENTAL FUND - FOOD SERVICE  
Combining Balance Sheet  
June 30, 2014**

<b>Assets</b>	
Cash	\$ 68,545
Due from other governments	27,588
Inventory	<u>407</u>
 TOTAL ASSETS	 <u><u>\$ 96,540</u></u>
 <b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts payable	\$ 7,907
Due to other funds	16,854
Payroll liabilities	<u>4,464</u>
 Total Liabilities	 <u><u>\$ 29,225</u></u>
 Fund Balances:	
Nonspendable	\$ 407
Restricted for:	
Food service	<u>66,908</u>
 Total Fund Balances	 <u><u>\$ 67,315</u></u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 96,540</u></u>



**EAU CLAIRE PUBLIC SCHOOLS  
NONMAJOR GOVERNMENTAL FUND - FOOD SERVICE  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended June 30, 2014**

**Revenues:**

Local sources:		
Charges for services	\$	12,604
Interest		41
State sources		17,891
Federal sources		<u>468,796</u>
 Total Revenues	 \$	 <u>499,332</u>

**Expenditures:**

Salaries	\$	142,046
Benefits		61,992
Purchased services		14,919
Supplies and materials		280,570
Capital outlay		<u>6,601</u>

Total Expenditures \$ 506,128

Net Change in Fund Balance \$ (6,796)

Fund Balances, Beginning of Year 74,111

FUND BALANCES, END OF YEAR \$ 67,315

**EAU CLAIRE PUBLIC SCHOOLS  
GENERAL FUND  
Schedule of Revenues - Budget and Actual  
For the Year Ended June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
<b>Local Sources:</b>				
Property taxes		\$ 493,509		\$ 444,522
Interest		1,777		1,367
Transportation		5,078		5,847
Student activities		19,873		19,971
Other local revenue		<u>22,917</u>		<u>37,354</u>
Total Local Sources	\$ 467,800	\$ <u>543,154</u>	\$ 75,354	\$ <u>509,061</u>
<b>State Sources:</b>				
Prop. A Obligation		\$ 3,418,786		\$ 3,391,590
At-risk		-		292,478
Discretionary payment		2,204,168		2,138,042
Special education		176,492		253,391
School readiness		98,640		102,400
State other		603,795		166,962
State headlee data collection		<u>21,187</u>		<u>21,018</u>
Total State Sources	6,478,854	\$ <u>6,523,068</u>	44,214	\$ <u>6,365,881</u>
<b>Federal Sources:</b>				
Title I		\$ 888,165		\$ 715,791
Title I - Migrant		559,161		660,451
Title IIA		27,676		37,548
Title III		36,444		24,995
Medicaid outreach		3,167		3,077
Unrestricted federal grant		<u>-</u>		<u>612</u>
Total Federal Sources	<u>1,928,029</u>	\$ <u>1,514,613</u>	<u>(413,416)</u>	\$ <u>1,442,474</u>
<b>TOTAL REVENUES</b>	<u>\$ 8,874,683</u>	<u>\$ 8,580,835</u>	<u>\$ (293,848)</u>	<u>\$ 8,317,416</u>

**EAU CLAIRE PUBLIC SCHOOLS  
GENERAL FUND  
Schedule of Expenditures - Budget and Actual  
For the Year Ended June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
<b>Instruction</b>				
<b>Basic Programs</b>				
Elementary:				
Salaries		\$ 968,897		\$ 870,237
Benefits		599,214		524,019
Purchased services		19,451		21,851
Supplies and materials		<u>14,152</u>		<u>44,643</u>
Total Elementary		<u>\$ 1,601,714</u>		<u>\$ 1,460,750</u>
Middle School:				
Salaries		\$ 377,666		\$ 387,692
Benefits		235,215		243,171
Purchased services		13,861		13,000
Supplies and materials		11,246		27,630
Other		<u>396</u>		<u>375</u>
Total Middle School		<u>\$ 638,384</u>		<u>\$ 671,868</u>
High School:				
Salaries		\$ 587,289		\$ 651,858
Benefits		325,140		360,321
Purchased services		30,621		36,060
Supplies and materials		39,261		25,336
Capital outlay		211		-
Payments to other governments		22,632		13,605
Other		<u>929</u>		<u>1,585</u>
Total High School		<u>\$ 1,006,083</u>		<u>\$ 1,088,765</u>
Preschool:				
Salaries		\$ 59,319		\$ 49,041
Benefits		28,434		23,479
Purchased services		2,603		179
Supplies and materials		1,758		1,260
Other		<u>345</u>		<u>-</u>
Total Preschool		<u>\$ 92,459</u>		<u>\$ 73,959</u>

**EAU CLAIRE PUBLIC SCHOOLS  
GENERAL FUND  
Schedule of Expenditures - Budget and Actual  
For the Year Ended June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
<b>Instruction - Continued</b>				
<b>Basic Programs - Continued</b>				
Summer School:				
Salaries		\$ 9,915		\$ -
Benefits		3,652		-
Supplies and materials		<u>1,468</u>		<u>5,364</u>
Total Summer School		<u>\$ 15,035</u>		<u>\$ 5,364</u>
Total Basic Programs	\$ 3,346,954	<u>\$ 3,353,675</u>	\$ (6,721)	<u>\$ 3,300,706</u>
<b>Added Needs</b>				
Special Education:				
Salaries		\$ 138,271		\$ 157,767
Benefits		70,754		78,111
Purchased services		57,034		44,145
Supplies and materials		840		-
Payments to other governments		16,283		15,720
Other		<u>50</u>		<u>50</u>
Total Special Education		<u>\$ 283,232</u>		<u>\$ 295,793</u>
Compensatory Education:				
Salaries		\$ 759,440		\$ 811,721
Benefits		392,280		359,076
Purchased services		25,692		25,361
Supplies and materials		<u>46,866</u>		<u>95,911</u>
Total Compensatory Education		<u>\$ 1,224,278</u>		<u>\$ 1,292,069</u>
Total Added Needs	<u>2,201,037</u>	<u>\$ 1,507,510</u>	<u>693,527</u>	<u>\$ 1,587,862</u>
Total Instruction	<u>\$ 5,547,991</u>	<u>\$ 4,861,185</u>	<u>\$ 686,806</u>	<u>\$ 4,888,568</u>
<b>Supporting Services</b>				
Pupil Services:				
Salaries		\$ 227,144		\$ 142,928
Benefits		120,892		66,785
Purchased services		1,883		1,773
Supplies and materials		<u>843</u>		<u>7,434</u>
Total Pupil Services	\$ 319,545	<u>\$ 350,762</u>	\$ (31,217)	<u>\$ 218,920</u>

**EAU CLAIRE PUBLIC SCHOOLS  
GENERAL FUND  
Schedule of Expenditures - Budget and Actual  
For the Year Ended June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
<b>Supporting Services - Continued</b>				
Instructional Staff:				
Salaries		\$ 120,845		\$ 145,311
Benefits		57,981		67,341
Purchased services		25,096		43,853
Supplies and materials		<u>166,182</u>		<u>39,132</u>
Total Instructional Staff	485,993	\$ <u>370,104</u>	115,889	\$ <u>295,637</u>
General Administration:				
Salaries		\$ 129,423		\$ 58,906
Benefits		65,865		34,355
Purchased services		27,909		123,878
Supplies and materials		4,828		2,541
Capital outlay		-		142
Other		<u>430</u>		<u>2,397</u>
Total General Administration	244,275	\$ <u>228,455</u>	15,820	\$ <u>222,219</u>
School Administration:				
Salaries		\$ 176,945		\$ 159,343
Benefits		108,758		94,463
Purchased services		122,043		108,082
Supplies and materials		5,065		2,620
Other		<u>664</u>		<u>120</u>
Total School Administration	401,180	\$ <u>413,475</u>	(12,295)	\$ <u>364,628</u>
Business Services:				
Salaries		\$ 73,429		\$ 76,985
Benefits		38,156		43,585
Purchased services		42,161		47,086
Supplies and materials		8,333		10,875
Other		<u>10,385</u>		<u>7,974</u>
Total Business Services	180,220	\$ <u>172,464</u>	7,756	\$ <u>186,505</u>

**EAU CLAIRE PUBLIC SCHOOLS  
GENERAL FUND  
Schedule of Expenditures - Budget and Actual  
For the Year Ended June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
<b>Supporting Services - Continued</b>				
Operations and Maintenance:				
Salaries		\$ 104,170		\$ 100,643
Benefits		70,057		58,306
Purchased services		180,602		223,489
Supplies and materials		202,312		161,893
Capital outlay		<u>17,598</u>		<u>-</u>
Total Operations and Maintenance	520,836	\$ <u>574,739</u>	(53,903)	\$ <u>544,331</u>
Transportation:				
Salaries		\$ 267,091		\$ 213,992
Benefits		109,521		86,694
Purchased services		77,954		106,843
Supplies and materials		105,890		95,776
Capital outlay		20,000		-
Other		<u>821</u>		<u>430</u>
Total Transportation	573,319	\$ <u>581,277</u>	(7,958)	\$ <u>503,735</u>
Central Services:				
Salaries		\$ 43,453		\$ 29,703
Benefits		24,376		15,979
Purchased services		36,682		32,203
Supplies and materials		4,395		116
Capital outlay		<u>8,991</u>		<u>834</u>
Total Central Services	115,589	\$ <u>117,897</u>	(2,308)	\$ <u>78,835</u>
Other Supporting Services:				
Athletic activities				
Salaries		183,665		137,935
Benefits		70,218		46,607
Purchased services		52,527		45,982
Supplies and materials		53,391		30,449
Capital outlay		8,575		-
Other		<u>550</u>		<u>-</u>
Total Athletic Activities		\$ <u>368,926</u>		\$ <u>260,973</u>

**EAU CLAIRE PUBLIC SCHOOLS  
GENERAL FUND  
Schedule of Expenditures - Budget and Actual  
For the Year Ended June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
Other support				
Salaries		\$ 8,091		\$ 5,327
Benefits		2,986		1,732
Purchased services		<u>-</u>		<u>1,121</u>
Total Other Support		<u>\$ 11,077</u>		<u>\$ 8,180</u>
Total Other Supporting Services	<u>308,700</u>	<u>\$ 380,003</u>	<u>(71,303)</u>	<u>\$ 269,153</u>
Total Supporting Services	<u>\$ 3,149,657</u>	<u>\$ 3,189,176</u>	<u>\$ (39,519)</u>	<u>\$ 2,683,963</u>
<b>Community Activities</b>	<u>\$ 47,204</u>	<u>\$ 21,834</u>	<u>\$ 25,370</u>	<u>\$ 13,827</u>
<b>Payment to Other Governments</b>	<u>\$ -</u>	<u>\$ 8,515</u>	<u>\$ (8,515)</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ 8,744,852</u>	<u>\$ 8,080,710</u>	<u>\$ 664,142</u>	<u>\$ 7,586,358</u>

**EAU CLAIRE PUBLIC SCHOOLS  
DEBT SERVICE FUNDS  
Combining Balance Sheet  
June 30, 2014**

	<b>2007</b>	<b>2009</b>
	<b><u>QZAB Debt</u></b>	<b><u>QZAB Debt</u></b>
	<b><u>Retirement</u></b>	<b><u>Retirement</u></b>
<b>Assets</b>		
Cash	\$ 627,663	\$ 233,333
Due from other funds	<u>          -</u>	<u>          -</u>
TOTAL ASSETS	<u>\$ 627,663</u>	<u>\$ 233,333</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Due to other funds	\$ -	\$ -
Fund Balances:		
Restricted for:		
Debt service	<u>\$ 627,663</u>	<u>\$ 233,333</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 627,663</u>	<u>\$ 233,333</u>



<b>2009 Debt Retirement</b>	<b>2012 Debt Retirement</b>	<b>Total</b>
\$ 16,511	\$ 72,494	\$ 950,001
<u>14,285</u>	<u>-</u>	<u>14,285</u>
<u>\$ 30,796</u>	<u>\$ 72,494</u>	<u>\$ 964,286</u>
\$ -	\$ 14,285	\$ 14,285
<u>\$ 30,796</u>	<u>\$ 58,209</u>	<u>\$ 950,001</u>
<u>\$ 30,796</u>	<u>\$ 72,494</u>	<u>\$ 964,286</u>

**EAU CLAIRE PUBLIC SCHOOLS  
DEBT SERVICE FUNDS  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended June 30, 2014**

	<b>2007</b>	<b>2009</b>
	<b><u>QZAB Debt Retirement</u></b>	<b><u>QZAB Debt Retirement</u></b>
<b>Revenues:</b>		
Local sources:		
Property taxes	\$ -	\$ -
Interest	13,978	-
	<u>          </u>	<u>          </u>
Total Revenues	\$ 13,978	\$ -
<b>Expenditures:</b>		
Principal repayment	\$ -	\$ -
Interest and other costs	-	-
	<u>          </u>	<u>          </u>
Total Expenditures	\$ -	\$ -
Revenues Over (Under) Expenditures	\$ 13,978	\$ -
<b>Other Financing Sources:</b>		
Operating transfers in	\$ 82,831	\$ 93,333
	<u>          </u>	<u>          </u>
Total Other Financing Sources	\$ 82,831	\$ 93,333
Net Change in Fund Balance	\$ 96,809	\$ 93,333
Fund Balances, Beginning of Year	<u>530,854</u>	<u>140,000</u>
<b>FUND BALANCES, END OF YEAR</b>	<b><u>\$ 627,663</u></b>	<b><u>\$ 233,333</u></b>

<u>2009</u> <u>Debt</u> <u>Retirement</u>	<u>2012</u> <u>Debt</u> <u>Retirement</u>	<u>Total</u>
\$ 152,369	\$ 149,149	\$ 301,518
<u>350</u>	<u>83</u>	<u>14,411</u>
\$ <u>152,719</u>	\$ <u>149,232</u>	\$ <u>315,929</u>
\$ 170,000	\$ 105,000	\$ 275,000
<u>17,000</u>	<u>57,498</u>	<u>74,498</u>
\$ <u>187,000</u>	\$ <u>162,498</u>	\$ <u>349,498</u>
\$ <u>(34,281)</u>	\$ <u>(13,266)</u>	\$ <u>(33,569)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>176,164</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>176,164</u>
\$ (34,281)	\$ (13,266)	\$ 142,595
<u>65,077</u>	<u>71,475</u>	<u>807,406</u>
\$ <u>30,796</u>	\$ <u>58,209</u>	\$ <u>950,001</u>

**EAU CLAIRE PUBLIC SCHOOLS**  
**Schedule of Interest and Principal Payments**  
**2009 Refunding Bonds (Defeased 1996 and 1999 Bonds)**  
**June 30, 2014**

<b>Year Ended June 30,</b>	<b>Interest Rate</b>	<b>Interest November 1</b>	<b>Interest May 1</b>	<b>Principal May 1</b>	<b>Total Payment</b>
2015	5.00%	<u>\$ 4,250</u>	<u>\$ 4,250</u>	<u>\$ 170,000</u>	<u>\$ 178,500</u>
		<u>\$ 4,250</u>	<u>\$ 4,250</u>	<u>\$ 170,000</u>	<u>\$ 178,500</u>

**EAU CLAIRE PUBLIC SCHOOLS**  
**Schedule of Interest and Principal Payments**  
**2012 School Building and Site Bonds**  
**June 30, 2014**

<b>Year Ended June 30,</b>	<b>Interest Rate</b>	<b>Interest November 1</b>	<b>Interest May 1</b>	<b>Principal May 1</b>	<b>Total Payment</b>
2015	1.05%	\$ 28,226	\$ 28,226	\$ 115,000	\$ 171,452
2016	1.10%	27,623	27,623	270,000	325,246
2017	1.25%	26,137	26,137	280,000	332,274
2018	1.55%	24,388	24,387	290,000	338,775
2019	1.70%	22,140	22,140	300,000	344,280
2020	2.00%	19,590	19,590	310,000	349,180
2021	2.20%	16,490	16,490	320,000	352,980
2022	2.40%	12,970	12,970	330,000	355,940
2023	2.60%	9,010	9,010	340,000	358,020
2024	2.70%	4,590	4,590	340,000	349,180
		<u>\$ 191,164</u>	<u>\$ 191,163</u>	<u>\$ 2,895,000</u>	<u>\$ 3,277,327</u>

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

August 11, 2014

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

To the Board of Education  
Eau Claire Public Schools  
Eau Claire, 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 Eau Claire Public Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Eau Claire Public Schools' basic financial statements and have issued our report thereon dated August 11, 2014.

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

In planning and performing our audit of the financial statements, we considered Eau Claire Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eau Claire Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Eau Claire Public Schools' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2014-01 and 2014-02 that we consider to be significant deficiencies.

**INDEPENDENT AUDITOR'S 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 - Continued**

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated August 11, 2014.

**Eau Claire Public Schools' Response to Findings**

Eau Claire Public Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Eau Claire Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Serbel & Company, P.C.*

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

August 11, 2014

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education  
Eau Claire Public Schools  
Eau Claire, Michigan

### Report on Compliance for Each Major Federal Program

We have audited Eau Claire Public Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Eau Claire Public Schools' major federal programs for the year ended June 30, 2014. Eau Claire Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Eau Claire Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eau Claire Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

In our opinion, Eau Claire Public Schools' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 - Continued**

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-02. Our opinion on each major federal program is not modified with respect to these matters.

Eau Claire Public Schools' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Eau Claire Public Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of Eau Claire Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Eau Claire Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eau Claire Public Schools' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Arbel a Company, P.C.*

**EAU CLAIRE PUBLIC SCHOOLS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

<b>Federal Grantor Pass Through Grantor Program Title - Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>	<b>Accrued (Deferred) Revenue June 30, 2013</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through M.D.E.			
Child Nutrition Cluster:			
Summer Food Service Program for Children			
Summer Food Meals - 130900 0913	10.559	\$ 10,180	\$ 1,138
Summer Food Meals - 130900 1013	10.559	23,766	-
Summer Food Meals - 130900 1113	10.559	785	-
Summer Food Meals - 140900 1014	10.559	13,892	-
Summer Food Meals - 140900 914	10.559	(6,633)	-
Summer Food Sponsor Adm. - 121900 0912	10.559	-	-
Summer Food Sponsor Adm. - 131900 1113	10.559	82	-
Summer Food Sponsor Adm. - 131900 1013	10.559	2,398	-
Summer Food Sponsor Adm. - 131900 0913	10.559	1,197	1,197
Summer Food Sponsor Adm. - 141900 914	10.559	<u>763</u>	<u>-</u>
Total Summer Food Service Program for Children	10.559	<u>\$ 46,430</u>	<u>\$ 2,335</u>
National School Lunch Program			
Noncash Assistance:			
National School Lunch - Entitlement	10.555	<u>\$ 17,527</u>	<u>\$ -</u>
Noncash Assistance Subtotal	10.555	<u>\$ 17,527</u>	<u>\$ -</u>
Cash Assistance:			
Free and Reduced - 141960	10.555	\$ 262,783	\$ -
Free and Reduced - 131960	10.555	<u>297,217</u>	<u>-</u>
Cash Assistance Subtotal	10.555	<u>\$ 560,000</u>	<u>\$ -</u>
Total National School Lunch Program		<u>\$ 577,527</u>	<u>\$ -</u>
School Breakfast Program			
Breakfast - 141970	10.553	\$ 97,518	\$ -
Breakfast - 131970	10.553	<u>106,424</u>	<u>1,136</u>
Total School Breakfast Program	10.553	<u>\$ 203,942</u>	<u>\$ 1,136</u>
Total Child Nutrition Cluster		<u>\$ 827,899</u>	<u>\$ 3,471</u>
Total Passed Through M.D.E.		<u>\$ 827,899</u>	<u>\$ 3,471</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<u>\$ 827,899</u>	<u>\$ 3,471</u>

<u>(Memo Only)</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Current</u> <u>Year</u> <u>Expenditures</u>	<u>Current Year</u> <u>Cash</u> <u>Receipts</u>	<u>Accrued</u> <u>(Deferred)</u> <u>Revenue</u> <u>June 30, 2014</u>	<u>Adjustments</u>
\$ 10,180	\$ -	\$ 1,138	\$ -	\$ -
1,130	22,636	22,636	-	-
-	785	785	-	-
-	13,892	13,892	-	-
-	(6,633)	-	(6,633)	-
-	-	-	-	-
-	82	82	-	-
-	2,398	2,398	-	-
1,197	-	1,197	-	-
-	763	-	763	-
<u>\$ 12,507</u>	<u>\$ 33,923</u>	<u>\$ 42,128</u>	<u>\$ (5,870)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 17,527</u>	<u>\$ 17,527</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 17,527</u>	<u>\$ 17,527</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 262,783	\$ 252,185	\$ 10,598	\$ -
254,825	42,392	42,392	-	-
<u>\$ 254,825</u>	<u>\$ 305,175</u>	<u>\$ 294,577</u>	<u>\$ 10,598</u>	<u>\$ -</u>
<u>\$ 254,825</u>	<u>\$ 322,702</u>	<u>\$ 312,104</u>	<u>\$ 10,598</u>	<u>\$ -</u>
\$ -	\$ 97,518	\$ 91,529	\$ 5,989	\$ -
91,771	14,653	15,789	-	-
<u>\$ 91,771</u>	<u>\$ 112,171</u>	<u>\$ 107,318</u>	<u>\$ 5,989</u>	<u>\$ -</u>
<u>\$ 359,103</u>	<u>\$ 468,796</u>	<u>\$ 461,550</u>	<u>\$ 10,717</u>	<u>\$ -</u>
<u>\$ 359,103</u>	<u>\$ 468,796</u>	<u>\$ 461,550</u>	<u>\$ 10,717</u>	<u>\$ -</u>
<u>\$ 359,103</u>	<u>\$ 468,796</u>	<u>\$ 461,550</u>	<u>\$ 10,717</u>	<u>\$ -</u>

**EAU CLAIRE PUBLIC SCHOOLS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

<b>Federal Grantor Pass Through Grantor Program Title - Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>	<b>Accrued (Deferred) Revenue June 30, 2013</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through M.D.E.			
Title I Part A			
131530 1213	84.010	\$ 979,926	\$ 80,480
141530 1314	84.010	<u>955,214</u>	<u>-</u>
Total Title I, Part A	84.010	<u>\$ 1,935,140</u>	<u>\$ 80,480</u>
Title I Part C			
Summer - 121830 1112	84.011	\$ 449,997	\$ 2,193
Summer - 131830 1213	84.011	697,014	172,853
Summer - 141830 1314	84.011	515,981	-
Regular - 131890 1213	84.011	328,788	54,995
Regular - 141890 1314	84.011	<u>195,469</u>	<u>-</u>
Total Title I, Part C	84.011	<u>\$ 2,187,249</u>	<u>\$ 230,041</u>
Title III English Proficient Students			
140580 1314	84.365	\$ 35,776	\$ -
130580 1213	84.365	<u>40,637</u>	<u>10,134</u>
Total Title III Limited English	84.365	<u>\$ 76,413</u>	<u>\$ 10,134</u>
Title II Part A			
140520 1314	84.367	\$ 35,947	\$ -
130520 1213	84.367	<u>37,189</u>	<u>416</u>
Total Title II, Part A	84.367	<u>\$ 73,136</u>	<u>\$ 416</u>
Total Passed Through M.D.E.		<u>\$ 4,271,938</u>	<u>\$ 321,071</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>\$ 4,271,938</u>	<u>\$ 321,071</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through Berrien RESA			
Medicaid	93.778	<u>\$ 3,167</u>	<u>\$ -</u>
Total Passed Through Berrien RESA		<u>\$ 3,167</u>	<u>\$ -</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>\$ 3,167</u>	<u>\$ -</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 5,103,004</u>	<u>\$ 324,542</u>

<u>(Memo Only)</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Current</u> <u>Year</u> <u>Expenditures</u>	<u>Current Year</u> <u>Cash</u> <u>Receipts</u>	<u>Accrued</u> <u>(Deferred)</u> <u>Revenue</u> <u>June 30, 2014</u>	<u>Adjustments</u>	
\$ 680,480	\$ 202,701	\$ 304,546	\$ -	\$ 21,365	NOTE 5
-	685,464	400,000	264,099	(21,365)	NOTE 5
<u>\$ 680,480</u>	<u>\$ 888,165</u>	<u>\$ 704,546</u>	<u>\$ 264,099</u>	<u>\$ -</u>	
\$ 304,672	\$ (2,193)	\$ -	\$ -	\$ -	
172,853	268,943	475,647	-	33,851	NOTE 5
-	118,759	-	84,908	(33,851)	NOTE 5
288,995	(6,481)	48,514	-	-	
-	180,133	167,000	13,133	-	
<u>\$ 766,520</u>	<u>\$ 559,161</u>	<u>\$ 691,161</u>	<u>\$ 98,041</u>	<u>\$ -</u>	
\$ -	\$ 27,119	\$ -	\$ 24,616	\$ (2,503)	NOTE 5
17,134	9,325	21,962	-	2,503	NOTE 5
<u>\$ 17,134</u>	<u>\$ 36,444</u>	<u>\$ 21,962</u>	<u>\$ 24,616</u>	<u>\$ -</u>	
\$ -	\$ 12,846	\$ 10,700	\$ 488	\$ (1,658)	NOTE 5
6,416	14,830	16,904	-	1,658	NOTE 5
<u>\$ 6,416</u>	<u>\$ 27,676</u>	<u>\$ 27,604</u>	<u>\$ 488</u>	<u>\$ -</u>	
<u>\$ 1,470,550</u>	<u>\$ 1,511,446</u>	<u>\$ 1,445,273</u>	<u>\$ 387,244</u>	<u>\$ -</u>	
<u>\$ 1,470,550</u>	<u>\$ 1,511,446</u>	<u>\$ 1,445,273</u>	<u>\$ 387,244</u>	<u>\$ -</u>	
<u>\$ -</u>	<u>\$ 3,167</u>	<u>\$ 3,167</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ -</u>	<u>\$ 3,167</u>	<u>\$ 3,167</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ -</u>	<u>\$ 3,167</u>	<u>\$ 3,167</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ 1,829,653</u>	<u>\$ 1,983,409</u>	<u>\$ 1,909,990</u>	<u>\$ 397,961</u>	<u>\$ -</u>	

**EAU CLAIRE PUBLIC SCHOOLS**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2014**

- Note 1** The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Eau Claire Public Schools and is presented on the modified accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
- Note 2** Expenditures in this schedule are in agreement with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.
- Note 3** The amounts reported on the Grant Auditor's Report (CMS) reconcile with this schedule.
- Note 4** The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with this Schedule for USDA donated food commodities and are reported in the cash receipts column.
- Note 5** Adjustments were made to transfer excess requests from closed grants to the current year grant requests. See finding 2014-02.

**EAU CLAIRE PUBLIC SCHOOLS**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2014**

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

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiency(ies) identified?  X  Yes \_\_\_\_\_ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiency(ies) identified?  X  Yes \_\_\_\_\_ None reported

Type of auditors' report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes  X  None

**Identification of Major Programs**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
10.553, 10.555, and 10.559 84.010 and 84.389	Child Nutrition Cluster Title I, Part A Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

**EAU CLAIRE PUBLIC SCHOOLS**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

**Section II - Financial Statement Audit Findings**

**Finding 2014-01 - Segregation of Incompatible Duties (Repeat from prior year)**

**Finding Type:**

Significant deficiency in internal controls over financial reporting

**Criteria:**

Management is responsible for establishing and maintaining effective internal control over financial reporting and for the safeguarding of the District's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept given the government's unique circumstances.

**Condition:**

As is the case with many organizations of similar size, the District lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it. Events of recent years have given rise to heightened awareness of the risks of fraud and abuse, especially in a school district environment, where public accountability is at its highest. The purpose of internal controls is to provide a reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitation on the effectiveness of the District's internal controls carries with it a greater risk of fraud and abuse.

**Cause:**

This condition is a result of the District's limited resources and the small size of its accounting staff.

**Effect:**

As a result of this condition, the District is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management on a timely basis.

**Recommendation:**

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

**View of Responsible Official:**

The business manager will continue to work with the finance committee to review and update procedures in order to strengthen internal controls.



**EAU CLAIRE PUBLIC SCHOOLS**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

**Section II - Financial Statement Audit Findings - Continued**

**Finding 2014-02 - Cash Management**

**Finding Type:**

Noncompliance; Significant deficiency in internal controls over compliance.

**Federal Program:**

Title I, Part A CFDA #84.010; Title I, Part C CFDA #84.011; Title III, CFDA #84.365; Title II, Part A CFDA #84.367

**Condition:**

During our audit we noted that some of the District's reimbursement requests were made using general ledgers that contained duplicate expenditure postings resulting in reimbursement requests in excess of expenditures.

**Criteria:**

As per the Michigan School Auditing Manual, cash should be drawn down based on actual expenditures.

**Effect:**

Improper drawdowns constitute noncompliance and result in potential disallowance of costs.

**Cause:**

Procedures in place did not catch that the posting of the payments of invoices included in accounts payable at year end were not posted against accounts payable, but included in expenditures again for the current year.

**Recommendation:**

The District should ensure that invoices recorded in accounts payable have been posted to accounts payable when paid.

**View of Responsible Official:**

The District will put procedures in place to ensure paid invoices are properly posted at the time of payment.

**EAU CLAIRE PUBLIC SCHOOLS**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2014**

**Section II - Financial Statement Audit Findings - Continued**

**Finding 2013-01 - Segregation of Incompatible Duties (Repeat from prior year)**

**Finding Type:**

Significant deficiency in internal controls over financial reporting

**Criteria:**

Management is responsible for establishing and maintaining effective internal control over financial reporting and for the safeguarding of the District's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept given the government's unique circumstances.

**Condition:**

As is the case with many organizations of similar size, the District lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it. Events of recent years have given rise to heightened awareness of the risks of fraud and abuse, especially in a school district environment, where public accountability is at its highest. The purpose of internal controls is to provide a reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitation on the effectiveness of the District's internal controls carries with it a greater risk of fraud and abuse.

**Cause:**

This condition is a result of the District's limited resources and the small size of its accounting staff.

**Effect:**

As a result of this condition, the District is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management on a timely basis.

**Recommendation:**

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

**View of Responsible Official:**

The business manager will continue to work with the finance committee to review and update procedures in order to strengthen internal controls.

**EAU CLAIRE PUBLIC SCHOOLS**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2014**

**Section II - Financial Statement Audit Findings - Continued**

**Finding 2013-02 - Cash Management**

**Finding Type:**

Noncompliance; Significant deficiency in internal controls over compliance.

**Federal Program:**

Title I Cluster CFDA # 84.010 and #84.389

**Condition:**

During our testing of the cash management requirement, we determined the District had requested reimbursement of expenditures in advance of disbursement.

**Criteria:**

As per the Michigan School Auditing Manual, cash should be drawn down on a reimbursement basis only.

**Effect:**

Improper drawdowns constitute noncompliance and result in potential disallowance of costs.

**Cause:**

Procedures in place did not catch that drawdowns were only to be requested on a reimbursement basis and not in advance of known expenditures.

**Recommendation:**

The District should request cash based on actual expenditures and not in advance of known expenditures. In addition, training of cash management requirements should be given to new personnel dealing with Federal funds.

**View of Responsible Official:**

The District will put procedures in place to verify cash requests are based on actual expenditures only and that training is provided in the future.

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

August 11, 2014

## Communication of Significant Deficiencies

To the Board of Education  
Eau Claire Public Schools  
Eau Claire, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eau Claire Public Schools as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Eau Claire Public Schools' 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 Eau Claire Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Eau Claire Public Schools' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be significant deficiencies:

- As mentioned in previous years, the District does not have proper segregation of duties. We continue to encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting function by qualified members of management as possible.

In addition, we noted other matters involving internal control and its operation that we have reported to management of Eau Claire Public Schools in a separate letter dated August 11, 2014.

This communication is intended solely for the information and use of management, the Board of Education, and others within Eau Claire Public Schools, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Gerbel & Company, P.C.*  
Gerbel & Company, P.C.  
Certified Public Accountants

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

August 11, 2014

To the Board of Education  
Eau Claire Public Schools  
Eau Claire, Michigan

In connection with our audit of the financial statements of Eau Claire Public Schools as of June 30, 2014, we have made a review of accounting procedures and internal control. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for your consideration, suggestions for changes in procedures which, in our opinion, would strengthen internal control or contribute to the improvement of operating efficiency.

The comments in this letter are based upon observations made in the course of such review, and are in addition to the significant deficiency discussed in a separate letter that is included in the District's annual audit report. The review was not designed for the purpose of expressing an opinion on internal accounting control, and it would not necessarily disclose all weaknesses in the system. The matters discussed herein were considered during our examination of the financial statements.

1. During our audit we noted that the activity from the US Bank QZAB 2007 investment account was not recorded during the year. The District should record the activity from the investment statements on a monthly basis.
2. During our audit we noted several instances where activity funds had debit balances. Care should be taken to insure that an activity has sufficient funds available prior to making a disbursement.
3. The District should implement a system to approve non-standard General Journal Entries prior to them being entered into the ledger. In addition the District should maintain a system of keeping all General Journal entries, with supporting documentation, in one location.

#### **Comments Repeated from the Prior Year:**

1. The District is currently maintaining an activity in the agency fund for interest. The interest should not be maintained within its own account, but should be distributed to the activities proportionately with their account balances at the time the interest was earned.
2. The Student Activity Fund has several funds from classes as old as 2005. We recommend that a policy be adopted to remove old funds from the School District after an appropriate lapse of time (for example, class funds must be removed within twelve months after graduation and funds with no activity for two years will be dissolved and the remaining fund balances revert to the Schools' General Fund).

**Additional Comments and Points of Interest:**

1. The books and records were found to be balanced and well organized and supporting documentation was readily available for inspection.
2. The District's administration and accounting personnel displayed a high level of dedication and cooperation in performing their duties and assisting us in completing ours.

We appreciate the cooperation and courtesy extended to us by the officials of Eau Claire Public Schools and trust that these comments and recommendations will be received in the spirit of cooperation in which they are offered.

If you have any questions regarding these or any other matters, please feel free to contact us.

Sincerely,

*Gerbel & Company, P.C.*  
Gerbel & Company, P.C.  
Certified Public Accountants

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

August 11, 2014

## Communication with Those Charged with Governance at the Conclusion of the Audit

To the Board of Education  
Eau Claire Public Schools  
Eau Claire, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eau Claire Public Schools for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 2, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Eau Claire Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Eau Claire Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. We noted no estimates that we consider to be particularly sensitive.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no disclosures that we consider to be particularly sensitive.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.



### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 11, 2014.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Eau Claire Public Schools' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Eau Claire Public Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the General Fund budget to actual comparison schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the combining statements, individual fund statements and bond schedules, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

**Restriction on Use**

This information is intended solely for the use of the Board of Education and management of Eau Claire Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Gerbel & Company, P.C.*

Gerbel & Company, P.C.  
Certified Public Accountants