

EAU CLAIRE PUBLIC SCHOOLS

FINANCIAL STATEMENTS

June 30, 2015

EAU CLAIRE PUBLIC SCHOOLS

FINANCIAL STATEMENTS

June 30, 2015

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EAU CLAIRE PUBLIC SCHOOLS

OFFICE OF THE SUPERINTENDENT

6190 WEST MAIN STREET • EAU CLAIRE, MICHIGAN 49111

Telephone: (269) 461-6947 • Fax: (269) 461-0089

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Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be Eau Claire Public Schools' Management's Discussion and Analysis of the financial results for the fiscal year ended June 30, 2015.

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 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 of whether 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, 2015

Summary of Net Position:

The following summarizes the net position at fiscal years ended June 30, 2015 and June 30, 2014.

Net Position Summary

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets		
Current assets	\$ 5,019,267	\$ 5,571,036
Capital assets:		
Nondepreciable	\$ 154,000	\$ 154,000
Depreciable, net of accumulated depreciation	<u>7,752,571</u>	<u>7,550,497</u>
Capital assets, net book value	<u>\$ 7,906,571</u>	<u>\$ 7,704,497</u>
Deferred Outflow-Pension	<u>\$ 1,215,028</u>	<u>\$ -</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 14,140,866</u>	<u>\$ 13,275,533</u>
Liabilities		
Current liabilities	\$ 1,742,044	\$ 1,797,008
Long-term liabilities	<u>16,238,737</u>	<u>5,092,154</u>
Total Liabilities	<u>\$ 17,980,781</u>	<u>\$ 6,889,162</u>
Deferred Inflow-Pension	<u>\$ 1,265,130</u>	<u>\$ -</u>
Net Position		
Net investment in capital assets	\$ 2,926,571	\$ 2,433,687
Restricted	1,441,078	1,795,020
Unrestricted	<u>(9,472,694)</u>	<u>2,157,664</u>
Total Net Position	<u>\$ (5,105,045)</u>	<u>\$ 6,386,371</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 14,140,866</u>	<u>\$ 13,275,533</u>

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Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

Analysis of Financial Position:

During fiscal year ended June 30, 2015 the District's net position decreased by \$11,491,416. Of this decrease, \$10,416,944 is related to a prior period adjustment, and \$1,074,472 is from current operations. A few of the significant factors affecting net position during the year are discussed below:

A. Net Position Liability

The above decrease related to the prior period adjustment is to record the beginning net pension liability for the District. Under GASB 68, adopted during the current year, the District is required to record their estimated portion of the Michigan Public Schools Employees Retirement System (MPERS) pension liability. The change in the current year net pension liability accounts for \$1,077,076 of the current period decrease.

B. General Fund Operations

The District's expenditures from General Fund operations exceeded revenues by \$40,239 for the fiscal year ended June 30, 2015. See the section entitled Results of Operations, below, for further discussion of General Fund operations.

C. 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 \$285,000.

	Principal Balance <u>June 30, 2014</u>	Additions (Reductions)	Principal Balance <u>June 30, 2015</u>
2007 Qualified Zone Academy Bonds	\$ 1,500,000	\$ -	\$ 1,500,000
2009 Qualified Zone Academy Bonds	700,000	-	700,000
2009 Refunding Bonds	170,000	(170,000)	-
2012 Building and Site Bonds	<u>2,895,000</u>	<u>(115,000)</u>	<u>2,780,000</u>
Long-Term Bond Obligations	<u>\$ 5,265,000</u>	<u>\$ (285,000)</u>	<u>\$ 4,980,000</u>

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Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

C. Net Investment in Capital Assets

The District's net investment in capital assets increased \$202,074 during the fiscal year. This can be summarized as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets	\$ 14,318,917	\$ 587,526	\$ (148,267)	\$ 14,758,176
Less: Accumulated depreciation	<u>(6,614,420)</u>	<u>(385,452)</u>	<u>148,267</u>	<u>(6,851,605)</u>
Net Investment Capital Outlay	<u>\$ 7,704,497</u>	<u>\$ 202,074</u>	<u>\$ -</u>	<u>\$ 7,906,571</u>

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Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

Results of Operations:

For the fiscal years ended June 30, 2015 and 2014 the District-wide results of operations were:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues:		
General Revenues:		
Property taxes levied for general operations	\$ 467,731	\$ 493,509
Property taxes levied for debt service	334,932	301,518
State of Michigan unrestricted foundation aid	3,680,942	3,418,786
Interest and investment earnings	17,770	16,229
Other general revenues	<u>59,450</u>	<u>5,109</u>
Total General Revenues	<u>\$ 4,560,825</u>	<u>\$ 4,235,151</u>
Operating Grants:		
Federal	\$ 2,097,953	\$ 1,983,409
State of Michigan	<u>3,497,568</u>	<u>3,122,173</u>
Total Operating Grants	<u>\$ 5,595,521</u>	<u>\$ 5,105,582</u>
Charges for Services	<u>\$ 39,702</u>	<u>\$ 37,555</u>
Total Revenues	<u>\$ 10,196,048</u>	<u>\$ 9,378,288</u>
Expenses:		
Instruction and instructional support	\$ 6,289,904	\$ 4,876,887
Support services	3,174,820	2,758,746
Athletic services	468,907	368,926
Food services	613,158	506,128
Community	18,312	21,834
Facility improvements	262,342	279,602
Interest on long-term debt	57,625	55,651
Depreciation	<u>385,452</u>	<u>364,014</u>
Total Expenses	<u>\$ 11,270,520</u>	<u>\$ 9,231,788</u>
Increase (Decrease) in Net Position	\$ (1,074,472)	\$ 146,500
Beginning Net Position	6,386,371	6,278,697
Prior Period Adjustment	<u>(10,416,944)</u>	<u>(38,826)</u>
Ending Net Position	<u>\$ (5,105,045)</u>	<u>\$ 6,386,371</u>

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Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

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 \$7,126 per student for the 2014-2015 school year. This represents a \$100 increase in allowance, as the foundation allowance for the 2013-2014 school year was \$7,026 per student.

Student Enrollment:

The District's student full time equivalent (FTE) for the fall count of 2014-2015 was 919.54 students. The following summarizes the FTEs for the past five years:

FTE History				
Fiscal Year	State Aid Membership	Change From Prior Year	Prior Year's Winter Count	Current Year's Fall Count
2014-2015	907.51	46.37	799.26	919.54
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

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Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

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 2014-2015 fiscal year was \$467,731. The non-homestead tax levy decreased by 5.22 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>Non-Homestead Tax Levy</u>	<u>% Increase From Prior Year</u>	<u>Non-Homestead Property Value</u>
18.0000	2014-2015	\$ 467,731	(5.22%)	\$ 26,541,499
18.0000	2013-2014	493,509	11.02%	26,941,667
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

Average Increase Last 5 Years .44%

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 2014-2015, the District's debt millage levy was 2.84 mills that generated revenue of \$334,932.

4. School Lunch Program

The actual revenues from Food Service operations exceeded total expenditures for the year for an increase of \$12,556. The Food Service fund balance at the beginning of the year was \$67,315 and the ending Food Service fund balance was \$79,871.

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Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

General Fund Expenditures Budget vs. Actual 5-Year History

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual to Original Budget</u>	<u>Variance Actual to Final Budget</u>
2010-2011	\$ 7,239,737	\$ 7,570,543	\$ 7,534,265	4.07%	(0.48%)
2011-2012	7,627,018	7,583,892	74,127,850	(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%)
2014-2015	7,868,404	9,417,162	9,417,162	14.98%	(1.75%)
Five Year Average Over (Under) Budget				1.44%	(4.63%)

General Fund Revenue Budget vs. Actual 5-Year History

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual to Original Budget</u>	<u>Variance Actual to Final Budget</u>
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	8,317,415	6.32%	(5.15%)
2013-2014	8,874,683	8,874,683	8,580,835	(3.42%)	(3.42%)
2014-2015	7,863,351	9,743,718	9,424,496	16.56%	(3.39%)
Five Year Average Over (Under) Budget				5.43%	(3.40%)

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Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

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.

Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$7,868,404	100.0%
Total Revenues Final Budget	<u>9,417,162</u>	<u>119.7%</u>
Increase in Budgeted Revenues	<u>\$1,548,758</u>	<u>19.7%</u>

The District's actual General Fund revenues were \$9,254,759 - \$162,403 less than final budget, a variance of (1.75) percent.

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Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

General Fund Expenditures:

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

		<u>Percent</u>
Total Expenditures Original Budget	\$7,863,351	100.0%
Total Expenditures Final Budget	<u>9,743,718</u>	<u>123.9%</u>
Increase in Budgeted Expenditures	<u>\$1,880,367</u>	<u>23.9%</u>

The District's actual expenditures were \$9,424,496 - \$319,222 less than the final budget, a variance of 3.39 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.



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October 19, 2015

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, 2015, 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, 2015, 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 X and 37 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 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 basic 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 October 19, 2015, 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.

Herbel & Company, P.C.

EAU CLAIRE PUBLIC SCHOOLS
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and cash equivalents - NOTE 2	\$ 3,251,188
Accounts receivable	14,325
Due from other governments	1,734,683
Inventory - NOTE 1G	1,091
Prepaid expenditures	<u>17,980</u>
Total Current Assets	<u>\$ 5,019,267</u>
Noncurrent Assets	
Capital Assets:	
Nondepreciable	\$ 154,000
Depreciable, net of accumulated depreciation	<u>7,752,571</u>
Total Noncurrent Assets	<u>\$ 7,906,571</u>
Deferred Outflow - Pension	<u>\$ 1,215,028</u>
TOTAL ASSETS	<u>\$ 14,140,866</u>

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

	Governmental Activities
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 474,010
Accrued salaries and withholding	988,826
Accrued interest	9,208
Bonds payable, due within one year - NOTE 4	<u>270,000</u>
Total Current Liabilities	<u>\$ 1,742,044</u>
Noncurrent Liabilities	
Bonds payable - NOTE 4	\$ 4,710,000
Compensated absences and severance pay - NOTE 4	84,819
Net pension liability	<u>11,443,918</u>
Total Noncurrent Liabilities	<u>\$ 16,238,737</u>
Total Liabilities	<u>\$ 17,980,781</u>
Deferred Inflow - Pension	<u>\$ 1,265,130</u>
Net Position	
Net investment in capital assets	\$ 2,926,571
Restricted for debt service	1,081,010
Restricted for food service	75,425
Restricted for capital projects	284,643
Unrestricted	<u>(9,472,694)</u>
Total Net Position	<u>\$ (5,105,045)</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 14,140,866</u></u>

EAU CLAIRE PUBLIC SCHOOLS
Statement of Activities
June 30, 2015

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities:				
Instruction and instructional support	\$ 6,289,904	\$ -	\$ 5,018,253	\$ (1,271,651)
Support services	3,174,820	3,799	-	(3,171,021)
Athletic services	468,907	23,483	-	(445,424)
Community	18,312	-	-	(18,312)
Facility improvements	262,342	-	-	(262,342)
Food services	613,158	12,420	577,268	(23,470)
Interest on long-term debt	57,625	-	-	(57,625)
Depreciation (unallocated)	<u>385,452</u>	<u>-</u>	<u>-</u>	<u>(385,452)</u>
 Total Governmental Activities	 <u>\$ 11,270,520</u>	 <u>\$ 39,702</u>	 <u>\$ 5,595,521</u>	 <u>\$ (5,635,297)</u>
 General Revenues:				
Taxes:				
Property taxes, levied for general operations				\$ 467,731
Property taxes, levied for debt service				334,932
State of Michigan aid, unrestricted				3,680,942
Interest and investment earnings				17,770
Other				<u>59,450</u>
 Total General Revenues				 <u>\$ 4,560,825</u>
 Change In Net Position				 \$ (1,074,472)
 Net Position, July 1, 2014				 6,386,371
 Prior period adjustment - NOTE 12				 <u>(10,416,944)</u>
 NET POSITION, END OF YEAR				 <u>\$ (5,105,045)</u>

EAU CLAIRE PUBLIC SCHOOLS
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2015

	<u>General</u>	<u>2012 Capital Project</u>	<u>Debt Service Funds</u>	<u>Nonmajor Food Service Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 1,664,771	\$ 473,363	\$ 1,034,343	\$ 78,711	\$ 3,251,188
Accounts receivable	14,325	-	-	-	14,325
Due from other funds	1,259	-	60,951	-	62,210
Due from other governments	1,722,658	-	-	12,025	1,734,683
Inventory	-	-	-	1,091	1,091
Prepaid	17,980	-	-	-	17,980
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,420,993</u>	<u>\$ 473,363</u>	<u>\$ 1,095,294</u>	<u>\$ 91,827</u>	<u>\$ 5,081,477</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 283,733	\$ 188,720	\$ -	\$ 1,557	\$ 474,010
Salaries payable	538,789	-	-	9,140	547,929
Accrued liabilities	440,897	-	-	-	440,897
Due to other funds	46,667	-	14,284	1,259	62,210
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 1,310,086</u>	<u>\$ 188,720</u>	<u>\$ 14,284</u>	<u>\$ 11,956</u>	<u>\$ 1,525,046</u>
Fund Balances:					
Nonspendable:					
Inventory	\$ -	\$ -	\$ -	\$ 1,091	\$ 1,091
Prepaid	17,980	-	-	-	17,980
Restricted for:					
Food service	-	-	-	74,334	74,334
Debt service	-	-	1,081,010	-	1,081,010
Capital projects	-	284,643	-	-	284,643
Assigned:					
Budget appropriation	197,290	-	-	4,446	201,736
Unassigned, reported in:					
General Fund	1,895,637	-	-	-	1,895,637
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>\$ 2,110,907</u>	<u>\$ 284,643</u>	<u>\$ 1,081,010</u>	<u>\$ 79,871</u>	<u>\$ 3,556,431</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,420,993</u>	<u>\$ 473,363</u>	<u>\$ 1,095,294</u>	<u>\$ 91,827</u>	<u>\$ 5,081,477</u>

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, 2015

Total Governmental Fund Balances \$ 3,556,431

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	\$ 14,758,176	
Accumulated depreciation is	<u>(6,851,605)</u>	7,906,571

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

Bonds payable	(4,980,000)
Compensated absences	(84,819)
Net pension liability	(11,443,918)

Pension deferred inflow and outflow of resources are not financial resources and are not reported in the funds.

Deferred outflow of resources	1,215,028
Deferred inflow of resources	(1,265,130)

Accrued interest payable more than sixty days after the current period is not included as a liability in governmental funds.

(9,208)

Net Position of Governmental Activities \$ (5,105,045)

**EAU CLAIRE PUBLIC SCHOOLS
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2015**

	<u>General</u>	<u>2012 Capital Projects</u>	<u>Debt Service Funds</u>	<u>Nonmajor Food Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Local sources:					
Property taxes	\$ 467,731	\$ -	\$ 334,932	\$ -	\$ 802,663
Charges for services	27,282	-	-	12,420	39,702
Interest	1,101	-	16,632	37	17,770
Other local revenue	59,450	-	-	-	59,450
State sources	7,152,092	-	-	26,418	7,178,510
Federal sources	<u>1,547,103</u>	<u>-</u>	<u>-</u>	<u>550,850</u>	<u>2,097,953</u>
 Total Revenues	 <u>\$ 9,254,759</u>	 <u>\$ -</u>	 <u>\$ 351,564</u>	 <u>\$ 589,725</u>	 <u>\$ 10,196,048</u>
Expenditures:					
Current:					
Instruction	\$ 5,547,861	\$ -	\$ -	\$ -	\$ 5,547,861
Support services	3,700,052	22,821	-	-	3,722,873
Community	17,914	-	-	-	17,914
Facility improvements	-	470,240	-	-	470,240
Food service	-	-	-	577,169	577,169
Payments to other governments	29,171	-	-	-	29,171
Debt service:					
Debt repayment	-	-	285,000	-	285,000
Interest and debt service charges	<u>-</u>	<u>-</u>	<u>65,053</u>	<u>-</u>	<u>65,053</u>
 Total Expenditures	 <u>\$ 9,294,998</u>	 <u>\$ 493,061</u>	 <u>\$ 350,053</u>	 <u>\$ 577,169</u>	 <u>\$ 10,715,281</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ (40,239)</u>	 <u>\$ (493,061)</u>	 <u>\$ 1,511</u>	 <u>\$ 12,556</u>	 <u>\$ (519,233)</u>
Other Financing Sources (Uses):					
Operating transfers in	\$ -	\$ -	\$ 129,498	\$ -	\$ 129,498
Operating transfers out	<u>(129,498)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,498)</u>
 Total Other Financing Sources (Uses)	 <u>\$ (129,498)</u>	 <u>\$ -</u>	 <u>\$ 129,498</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Net Change in Fund Balance	 <u>\$ (169,737)</u>	 <u>\$ (493,061)</u>	 <u>\$ 131,009</u>	 <u>\$ 12,556</u>	 <u>\$ (519,233)</u>
Fund Balances, Beginning of Year	<u>2,280,644</u>	<u>777,704</u>	<u>950,001</u>	<u>67,315</u>	<u>4,075,664</u>
 FUND BALANCES, END OF YEAR	 <u>\$ 2,110,907</u>	 <u>\$ 284,643</u>	 <u>\$ 1,081,010</u>	 <u>\$ 79,871</u>	 <u>\$ 3,556,431</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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (519,233)

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	\$ (385,452)	
Capital outlay	<u>587,526</u>	202,074

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.		1,618
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Bond premium is amortized and recorded in the statement of activities when incurred; it is reported in governmental funds when received.		5,810
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Repayments of bond principal are an expenditure in the governmental funds, but not in the statement of activities (where they reduce long-term debt).		285,000
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Decreases in compensated absences are not reported in the governmental funds.		27,335
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Change in net pension liability and deferred inflow and outflow of resources related to the pension plan.		<u>(1,077,076)</u>
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Change in Net Position of Governmental Activities		<u>\$ (1,074,472)</u>
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**EAU CLAIRE PUBLIC SCHOOLS
FIDUCIARY FUND
Statement of Net Position
June 30, 2015**

	Agency Fund
Assets	
Cash	\$ 102,907
Investments - NOTE 2B	<u>57,715</u>
Total Assets	<u>\$ 160,622</u>
Liabilities	
Due to student groups	<u>\$ 160,622</u>

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

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 (the "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 Schools' 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 District.

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basic Financial Statements - Continued:

The net costs (by function) are normally covered by general revenue (property taxes, state 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, 2015

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, 2015

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, 2015.

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, 2015

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.

L. Deferred Outflows of Resources:

The School District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statements of net position. The only deferred outflows of resources reported in this year's financial statements are a deferred amount arising from recording pension liability.

M. Deferred Inflows of Resources:

The School District's Statement of Net Position and its Governmental Fund Balance Sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period.

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

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 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, 2015, the carrying amount of the District's deposits was \$3,354,095 and the respective bank balances totaled \$3,206,889. The exposure to custodial credit risk is as follows:

Insured by the FDIC	\$ 250,000
Uninsured and uncollateralized	<u>2,956,889</u>
	<u>\$ 3,206,889</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.

	Market Value
Fiduciary Funds:	
Common Stock	<u>\$ 57,715</u>

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 3 - CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2015 were as follows:

Governmental Activities	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2015</u>
Nondepreciable Capital Assets				
Land	\$ 154,000	\$ -	\$ -	\$ 154,000
Total Nondepreciable Capital Assets	<u>\$ 154,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,000</u>
Depreciable Capital Assets				
Building and site improvements	\$ 12,323,271	\$ 207,897	\$ -	\$ 12,531,168
Buses and other vehicles	813,356	110,150	(148,267)	775,239
Furniture and equipment	<u>1,028,290</u>	<u>269,479</u>	<u>-</u>	<u>1,297,769</u>
Total Depreciable Capital Assets	<u>\$ 14,164,917</u>	<u>\$ 587,526</u>	<u>\$ (148,267)</u>	<u>\$ 14,604,176</u>
Less Accumulated Depreciation for:				
Building and site improvements	\$ (5,439,840)	\$ (252,792)	\$ -	\$ (5,692,632)
Buses and other vehicles	(595,227)	(56,721)	148,267	(503,681)
Furniture and equipment	<u>(579,353)</u>	<u>(75,939)</u>	<u>-</u>	<u>(655,292)</u>
Total Accumulated Depreciation	<u>\$ (6,614,420)</u>	<u>\$ (385,452)</u>	<u>\$ 148,267</u>	<u>\$ (6,851,605)</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,550,497</u>	<u>\$ 202,074</u>	<u>\$ -</u>	<u>\$ 7,752,571</u>
Governmental Activities Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,704,497</u>	<u>\$ 202,074</u>	<u>\$ -</u>	<u>\$ 7,906,571</u>

Depreciation for the fiscal year ended June 30, 2015 amounted to \$385,452. 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, 2015

NOTE 4 - LONG-TERM DEBT

The following is a summary of debt transactions of the School District for the year ended June 30, 2015:

Long-term debt activity can be summarized as follows:

Governmental Activities	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</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%. Bond was paid in full for the year ended June 30, 2015	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>2,895,000</u>	<u>-</u>	<u>(115,000)</u>	<u>2,780,000</u>	<u>270,000</u>
Total Bonds Payable	\$ 5,265,000	\$ -	\$ (285,000)	\$ 4,980,000	\$ 270,000
Bond issuance premium	5,810	-	(5,810)	-	-
Compensated absences and termination benefits.	<u>112,154</u>	<u>-</u>	<u>(27,335)</u>	<u>84,819</u>	<u>-</u>
Total Governmental Activities	<u>\$ 5,382,964</u>	<u>\$ -</u>	<u>\$ (318,145)</u>	<u>\$ 5,064,819</u>	<u>\$ 270,000</u>

The annual requirements to amortize all applicable debt outstanding excluding compensated absences of \$84,819 as of June 30, 2015, including interest payments of \$325,875 are as follows:

Year Ending	<u>Governmental Activities</u>			
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		310,000	39,180	349,180
2021-2025		<u>3,530,000</u>	<u>86,120</u>	<u>3,616,120</u>
Total		<u>\$ 4,980,000</u>	<u>\$ 325,875</u>	<u>\$ 5,305,875</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, 2015

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2015, consisted of the following:

		Due from			
		2012 Debt Retirement Fund	General Fund	Food Service Fund	Total
Due to	General Fund	\$ -	\$ -	\$ 1,259	\$ 1,259
	2009 Debt Retirement Fund	<u>14,284</u>	<u>46,667</u>	<u>-</u>	<u>60,951</u>
	Total	<u>\$ 14,284</u>	<u>\$ 46,667</u>	<u>\$ 1,259</u>	<u>\$ 62,210</u>

The Food Service Fund owes the General Fund \$1,259 for general expenditures.

The 2012 Debt Retirement Fund owes the 2009 Debt Retirement Fund \$14,284 for debt service expenditures.

During the year the General Fund transferred \$129,498 to the QZAB Debt Funds for future payment of debt, \$46,667 of which was transferred after June 30, 2015.

NOTE 6 - 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 Over Budget</u>
General Fund:			
Instruction			
Basic Programs	\$ 3,959,289	\$ 4,021,082	\$ (61,793)
Support			
Business Services	189,367	196,615	(7,248)
Operations and Maintenance	689,017	696,165	(7,148)
Central Services	129,807	132,127	(2,320)
Other Supporting Services	449,334	463,620	(14,286)
Payments to other governments	-	29,171	(29,171)

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN

A. ORGANIZATION

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

- Two active classroom teachers or other certified school personnel.
- One active member or retirant from a non-certified support position.
- One active school system superintendent.
- One active finance or operations (non-superintendent) member.
- One retirant from a classroom teaching position.
- One retirant from a finance or operations management position.
- One administrator or trustee of a community college that is a reporting unit of the System.
- Two from the general public, one with health insurance or actuarial science experience and one with institutional investment experience.
- One elected member of a reporting unit's board of control.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act. There are 685 participating employers. A list of employers is provided in the Statistical Section. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological and Lake Superior State. Employees, who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report.

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

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN - Continued

A. ORGANIZATION- Continued

Membership

At September 30, 2014, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:

Regular benefits	181,489
Survivor benefits	16,855
Disability benefits	<u>6,168</u>
Total	<u>204,512</u>

Inactive plan members entitled to but not yet receiving benefits: 16,979

Active plan members:

Vested	108,934
Non-vested	<u>101,843</u>
Total	<u>210,777</u>

Total plan members 432,268

Benefits Provided

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

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

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN - Continued

A. ORGANIZATION - Continued

Member Contributions - Continued

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012 beginning on page 23. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The reserves are described below and details are provided in the supporting schedules.

GASB Statement No. 67, which was adopted during the year ended September 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN - Continued

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reserves

Reserve for Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Employer Contributions representing unclaimed funds.

Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. At September 30, 2014, the balance in this reserve was \$1.5 billion.

Reserve for Pension Plus Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Pension Plus Retired Benefit Payments for regular retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Pension Plus Employer Contributions representing unclaimed funds. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$59.5 million.

Reserve for Member Investment Plan - This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 2014, the balance in this reserve was \$4.7 billion.

Reserve for Employer Contributions - This reserve represents all reporting unit contributions, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was (\$25.8) billion.

Reserve for Pension Plus Employer Contributions - This reserve represents all reporting unit contributions for Pension Plus members, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually at a rate of 7%. Amounts are transferred annually to the Reserve for Retired Pension Plus Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$55.5 million.

Reserve for Retired Benefit Payments - This reserve represents payments of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was \$44.6 billion.

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN - Continued

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reserves - Continued

Reserve for Retired Pension Plus Benefit Payments - This reserve represents payments of future retirement benefits to current Pension Plus retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Pension Plus Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. Currently, there are no participants qualified to retire under this program. At September 30, 2014, the balance in this reserve was \$0.

Reserve for Undistributed Investment Income - This reserve represents all investment earnings. Interest is transferred annually to the other reserves. Administrative expenses of the System are paid from the Reserve for Administrative Expenses, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve in the supporting schedules. Public Act 143 of 1997 established a stabilization subaccount within the Reserve for Undistributed Investment Income to which any over funding is credited. As of September 30, 2014, the balance in the subaccount was zero. At September 30, 2014, the balance in this reserve was \$18.6 billion.

Reserve for Health (OPEB) Related Benefits - This reserve is credited with employee and employer contributions for retirees' health, dental, and vision benefits. Starting in fiscal year 2013, the employer contribution is based on a prefunded basis and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. In addition, in fiscal year 2014, federal funding for Medicare Part D and Employer Group Waiver Plan (EGWP) was paid directly to a third party vendor. The third party vendor uses the EGWP funding for any claims submitted and bills the system for any remaining claims outstanding. Premiums for health, dental and vision benefits are paid from this reserve. At September 30, 2014, the balance in this reserve was \$3.5 billion.

Reporting Entity

The System is a pension and other employee benefit trust fund of the State. As such, the System is considered part of the State and is included in the State's Comprehensive Annual Financial Report as a pension and other employee benefit trust fund. The System and its Board are not financially accountable for any other entities or other organizations. Accordingly, the System is the only entity included in this financial report.

Benefit Protection

Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment, garnishment, levy, execution, bankruptcy or other legal process except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an "antialienation" clause to provide for this protection; however, many smaller public pension systems did not have the benefit of this protection. Therefore, Public Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN - Continued

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of private investments is based on the net asset value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Investment Income

Dividend and interest income is recognized on the accrual basis. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Costs of Administering the System

Each year a restricted general fund appropriation is requested to fund the on-going business operations of the System. These administrative costs are ultimately funded by the System through the regular transfer of funds from the System to the State's general fund based on either a direct cost or allocation basis depending on the nature of the expense. Costs of administering the System are financed by undistributed investment income of the System.

Property and Equipment

Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds \$5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position. Such assets are depreciated on a straight-line basis over 10 years. As of September 30, 1998, all capitalized equipment was fully depreciated. No additional equipment has been capitalized for the System since that date.

Related Party Transactions

Leases and Services - The System leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The schedule below summarizes costs incurred by the System for such services.

Cash

At September 30, 2014, the System had \$246.7 million in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to (\$0.6) thousand for the year ended September 30, 2014.

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN - Continued

C. CONTRIBUTIONS AND FUNDING STATUS

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded(overfunded) actuarial accrued liability as of the September 30, 2014 valuation will be amortized over a 22 year period for the 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	18.34 - 19.61%
Member Investment Plan	3.0 - 7.0%	18.34 - 19.61%
Pension Plus	3.0 - 6.4%	18.11%
Defined Contribution	0%	15.44 - 16.61%

The System may reconcile with actuarial requirements annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was \$29.7 million and the discounted long-term receivable was \$83.6 million at September 30, 2014.

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN - Continued

D. NET PENSION LIABILITY - NON-UNIVERSITY

Measurement of the MPSER'S Net Pension Liability

The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPSERS (Plan) Net Pension Liability - Non-University

As of September 30, 2014:

Total Pension Liability	\$ 65,160,887,182
Plan Fiduciary Net Position	<u>43,134,384,072</u>
Net Pension Liability	<u>\$ 22,026,503,110</u>

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.20%
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Net Pension Liability as a Percentage of Covered-Employee Payroll	250.11%
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Year 1 MPSERS GASB 68 implementation recognizes a 0.00% change in the reporting unit's proportionate share between beginning net pension liability and ending net pension liability.

MPSERS (Plan) Net Pension Liability - Non-University

As of October 1, 2013:

Total Pension Liability	\$ 62,859,499,994
Plan Fiduciary Net Position	<u>39,427,686,072</u>
Net Pension Liability	<u>\$ 23,431,813,922</u>

Proportionate Share of Reporting Unit's Net Pension Liability

At September 30, 2014, Eau Claire Public Schools reported a liability of \$ 11,443,918 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. Eau Claire Public Schools' proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, Eau Claire Public Schools' proportionate share percent was .05196 percent.

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN - Continued

D. NET PENSION LIABILITY - NON-UNIVERSITY - Continued

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	4.8%
Percent Alternative Investment Pools	18.0%	8.5
International Equity	16.0%	6.1
Fixed Income Pools	10.5%	1.5
Real Estate and Infrastructure Pools	10.0%	5.3
Absolute Return Pools	15.5%	6.3
Short Term Investment Pools	<u>2.0%</u>	(0.2)
TOTAL	<u>100.0%</u>	

*Long term rate of return does not include 2.5% inflation

Rate of Return

For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN - Continued

D. NET PENSION LIABILITY - NON-UNIVERSITY - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents Eau Claire Public Schools' proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what Eau Claire Public Schools' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)*	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)*	1% Increase (Non-Hybrid/Hybrid)*
<u>7.0% / 6.0%</u> \$15,087,810	<u>8.0% / 7.0%</u> \$11,443,918	<u>9.0% / 8.0%</u> \$8,373,886

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions

Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN - Continued

D. NET PENSION LIABILITY - NON-UNIVERSITY - Continued

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Wage Inflation Rate:	3.50%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.00%
- Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12

Mortality:

RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2014 MPSERS Comprehensive Annual Financial Report.

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN - Continued

E. PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - NON-UNIVERSITY

For the year ended June 30, 2015, Eau Claire Public Schools recognized total pension expense of \$927,008. At June 30, 2015, Eau Claire Public Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes of assumptions	\$ 422,256	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,265,130
Changes in proportion and differences between Eau Claire Public Schools contributions and proportionate share of contributions	72	-
Eau Claire Public Schools contributions subsequent to the measurement date	<u>792,700</u> *	<u>-</u>
Total	<u>\$ 1,215,028</u>	<u>\$ 1,265,130</u>

*This amount, reported as deferred outflows of resources related to pensions resulting from Eau Claire Public Schools contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	(206,464)
2016	(206,464)
2017	(206,464)
2018	(223,410)

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 7 - PENSION PLAN - Continued

F. OTHER POST-EMPLOYMENT BENEFITS

Post-employment benefits for health, dental, and vision are available at retirement through the Michigan Public School Employees' Retirement System (MPSERS). On December 20, 2012, the State of Michigan Office of Retirement Services revised the fiscal year 2012-2013 healthcare contributions effective February 1, 2013. 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 35 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.

The School District's total employer OPEB contributions to the MPSERS plan were \$175,675.

NOTE 8 - 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 9 - COMMITMENTS AND CONTINGENCIES

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.

EAU CLAIRE PUBLIC SCHOOLS
Notes to Financial Statements
June 30, 2015

NOTE 10 - SHORT-TERM DEBT

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
2014 revenue anticipation note due in one installment of \$600,000 plus interest at .74% on August 20, 2014	\$ 600,000	\$ -	\$ 600,000	\$ -

NOTE 11 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2015, the District purchased repair services of \$12,426 from the business of the son of one of the Board of Education members.

NOTE 12 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

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 cost 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. Due to the accounting change, beginning net position was adjusted by \$10,416,944.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 19, 2015, the date on which the financial statements were available to be issued. There are no material subsequent events.

EAU CLAIRE PUBLIC SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of September 30, 2014)

A. Eau Claire Public Schools' proportion of net pension liability (%)	0.05196%
B. Eau Claire Public Schools' proportionate share of net pension liability	\$11,443,918
C. Eau Claire Public Schools' covered-employee payroll	\$4,417,360
D. Eau Claire Public Schools' proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	38.60%
E. Plan Fiduciary net position as a percentage of total pension liability	66.20%

EAU CLAIRE PUBLIC SCHOOLS
Required Supplementary Information
Schedule of the District's Contributions

Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of June 30, 2015)

A. Statutorily required contributions	\$990,203
B. Contributions in relation to statutorily required contributions	<u>990,203</u>
C. Contribution deficiency (excess)	<u>\$ -</u>
D. Eau Claire Public Schools' covered-employee payroll	\$4,593,736
E. Contributions as a percentage of covered-employee payroll	21.56%

EAU CLAIRE PUBLIC SCHOOLS
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes in Benefit Terms: There were no changes of benefit terms in 2015.

Changes of Assumptions: There were no changes of benefit assumptions in 2015.

**EAU CLAIRE PUBLIC SCHOOLS
GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local sources	\$ 480,000	\$ 520,287	\$ 555,564	\$ 35,277
State sources	6,360,395	7,187,497	7,152,092	(35,405)
Federal sources	<u>1,028,009</u>	<u>1,709,378</u>	<u>1,547,103</u>	<u>(162,275)</u>
 Total Revenues	 <u>\$ 7,868,404</u>	 <u>\$ 9,417,162</u>	 <u>\$ 9,254,759</u>	 <u>\$ (162,403)</u>
Expenditures:				
Current:				
Instruction:				
Basic programs	\$ 3,610,448	\$ 3,959,289	\$ 4,021,082	\$ (61,793)
Added needs	1,205,560	1,644,419	1,526,779	117,640
Supporting services:				
Pupil services	283,649	297,544	264,645	32,899
Instructional staff	234,542	454,529	345,268	109,261
General administration	233,575	448,064	419,060	29,004
School administration	449,018	486,800	468,979	17,821
Business services	195,850	189,367	196,615	(7,248)
Operation and maintenance services	646,741	689,017	696,165	(7,148)
Transportation	624,620	750,259	713,573	36,686
Central services	20,975	129,807	132,127	(2,320)
Other supporting services	338,456	449,334	463,620	(14,286)
Community activities	19,917	39,014	17,914	21,100
Payments to other governments	<u>-</u>	<u>-</u>	<u>29,171</u>	<u>(29,171)</u>
 Total Expenditures	 <u>\$ 7,863,351</u>	 <u>\$ 9,537,443</u>	 <u>\$ 9,294,998</u>	 <u>\$ 242,445</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ 5,053</u>	 <u>\$ (120,281)</u>	 <u>\$ (40,239)</u>	 <u>\$ 80,042</u>
Other Financing Uses:				
Operating transfers out	<u>\$ -</u>	<u>\$ (206,275)</u>	<u>\$ (129,498)</u>	<u>\$ 76,777</u>
 Total Other Financing Uses	 <u>\$ -</u>	 <u>\$ (206,275)</u>	 <u>\$ (129,498)</u>	 <u>\$ 76,777</u>
 Net Change in Fund Balance	 <u>\$ 5,053</u>	 <u>\$ (326,556)</u>	 <u>\$ (169,737)</u>	 <u>\$ 156,819</u>
Fund Balance, Beginning of Year	<u>2,280,644</u>	<u>2,280,644</u>	<u>2,280,644</u>	<u>-</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 2,285,697</u>	 <u>\$ 1,954,088</u>	 <u>\$ 2,110,907</u>	 <u>\$ 156,819</u>

**EAU CLAIRE PUBLIC SCHOOLS
NONMAJOR GOVERNMENTAL FUND - FOOD SERVICE
Balance Sheet
June 30, 2015**

	<u>Food Service</u>
Assets	
Cash	\$ 78,711
Due from other governments	12,025
Inventory	<u>1,091</u>
TOTAL ASSETS	<u><u>\$ 91,827</u></u>
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 1,557
Due to other funds	1,259
Payroll liabilities	<u>9,140</u>
Total Liabilities	<u>\$ 11,956</u>
 Fund Balances:	
Nonspendable	\$ 1,091
Assigned for:	
Food service	4,446
Restricted for:	
Food service	<u>74,334</u>
Total Fund Balances	<u>\$ 79,871</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 91,827</u></u>

**EAU CLAIRE PUBLIC SCHOOLS
NONMAJOR GOVERNMENTAL FUND - FOOD SERVICE
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2015**

Revenues:

Local sources:		
Charges for services	\$	12,420
Interest		37
State sources		26,418
Federal sources		<u>550,850</u>
 Total Revenues	 \$	 <u>589,725</u>

Expenditures:

Current:		
Salaries	\$	150,586
Benefits		69,714
Purchased services		14,037
Supplies and materials		340,790
Capital outlay		<u>2,042</u>
 Total Expenditures	 \$	 <u>577,169</u>
 Net Change in Fund Balance	 \$	 12,556
 Fund Balances, Beginning of Year		 <u>67,315</u>
 FUND BALANCES, END OF YEAR	 \$	 <u>79,871</u>

**EAU CLAIRE PUBLIC SCHOOLS
GENERAL FUND
Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2014 Actual</u>
Local Sources:				
Property taxes		\$ 467,731		\$ 493,509
Interest		1,101		1,777
Transportation		3,799		5,078
Student activities		23,483		19,873
Other local revenue		<u>59,450</u>		<u>22,917</u>
Total Local Sources	\$ 520,287	\$ <u>555,564</u>	\$ 35,277	\$ <u>543,154</u>
State Sources:				
Prop. A Obligation		\$ 3,680,942		\$ 3,418,786
At-risk		376,357		333,948
Discretionary payment		2,421,681		2,204,168
Special education		111,359		176,492
School readiness		82,936		98,640
State other		456,168		269,846
State headlee data collection		<u>22,649</u>		<u>21,187</u>
Total State Sources	7,187,497	\$ <u>7,152,092</u>	(35,405)	\$ <u>6,523,067</u>
Federal Sources:				
Title I		\$ 867,598		\$ 888,165
Title I - Migrant		580,351		559,161
Title IIA		42,914		27,676
Title III		28,537		36,444
Medicaid outreach		2,810		3,167
Unrestricted federal grant		<u>24,893</u>		<u>-</u>
Total Federal Sources	<u>1,709,378</u>	\$ <u>1,547,103</u>	<u>(162,275)</u>	\$ <u>1,514,613</u>
TOTAL REVENUES	<u>\$ 9,417,162</u>	<u>\$ 9,254,759</u>	<u>\$ (162,403)</u>	<u>\$ 8,580,834</u>

**EAU CLAIRE PUBLIC SCHOOLS
GENERAL FUND
Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2014 Actual</u>
Instruction				
Basic Programs				
Elementary:				
Salaries		\$ 1,117,419		\$ 968,897
Benefits		794,781		599,214
Purchased services		30,736		19,451
Supplies and materials		<u>71,892</u>		<u>14,152</u>
Total Elementary		<u>\$ 2,014,828</u>		<u>\$ 1,601,714</u>
Middle School:				
Salaries		\$ 395,612		\$ 377,666
Benefits		273,460		235,215
Purchased services		13,051		13,861
Supplies and materials		10,202		11,246
Capital outlay		675		-
Other		<u>725</u>		<u>396</u>
Total Middle School		<u>\$ 693,725</u>		<u>\$ 638,384</u>
High School:				
Salaries		\$ 633,960		\$ 587,289
Benefits		424,976		325,140
Purchased services		26,197		30,621
Supplies and materials		44,286		39,261
Capital outlay		5,579		211
Payments to other governments		8,326		22,632
Other		<u>725</u>		<u>929</u>
Total High School		<u>\$ 1,144,049</u>		<u>\$ 1,006,083</u>
Preschool:				
Salaries		\$ 95,862		\$ 59,319
Benefits		53,339		28,434
Purchased services		3,484		2,603
Supplies and materials		2,444		1,758
Other		<u>-</u>		<u>345</u>
Total Preschool		<u>\$ 155,129</u>		<u>\$ 92,459</u>

**EAU CLAIRE PUBLIC SCHOOLS
GENERAL FUND
Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2014 Actual</u>
Instruction - Continued				
Basic Programs - Continued				
Summer School:				
Salaries		\$ 9,730		\$ 9,915
Benefits		3,621		3,652
Supplies and materials		<u> -</u>		<u>1,468</u>
Total Summer School		<u>\$ 13,351</u>		<u>\$ 15,035</u>
Total Basic Programs	\$ 3,959,289	<u>\$ 4,021,082</u>	\$ (61,793)	<u>\$ 3,353,675</u>
Added Needs				
Special Education:				
Salaries		\$ 183,411		\$ 138,271
Benefits		131,848		70,754
Purchased services		1,516		57,034
Supplies and materials		898		840
Payments to other governments		8,546		16,283
Other		<u>100</u>		<u>50</u>
Total Special Education		<u>\$ 326,319</u>		<u>\$ 283,232</u>
Compensatory Education:				
Salaries		\$ 720,847		\$ 759,440
Benefits		416,373		392,280
Purchased services		36,723		25,692
Supplies and materials		<u>26,517</u>		<u>46,866</u>
Total Compensatory Education		<u>\$ 1,200,460</u>		<u>\$ 1,224,278</u>
Total Added Needs	<u>1,644,419</u>	<u>\$ 1,526,779</u>	<u>117,640</u>	<u>\$ 1,507,510</u>
Total Instruction	<u>\$ 5,603,708</u>	<u>\$ 5,547,861</u>	<u>\$ 55,847</u>	<u>\$ 4,861,185</u>
Supporting Services				
Pupil Services:				
Salaries		\$ 136,274		\$ 227,144
Benefits		71,263		120,892
Purchased services		55,805		1,883
Supplies and materials		<u>1,303</u>		<u>843</u>
Total Pupil Services	\$ 297,544	<u>\$ 264,645</u>	\$ 32,899	<u>\$ 350,762</u>

**EAU CLAIRE PUBLIC SCHOOLS
GENERAL FUND
Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2014 Actual</u>
Supporting Services - Continued				
Instructional Staff:				
Salaries		\$ 122,378		\$ 120,845
Benefits		66,262		64,886
Purchased services		48,111		25,096
Supplies and materials		89,754		159,277
Capital outlay		<u>18,763</u>		<u>-</u>
Total Instructional Staff	454,529	\$ <u>345,268</u>	109,261	\$ <u>370,104</u>
General Administration:				
Salaries		\$ 130,499		\$ 129,423
Benefits		80,971		65,865
Purchased services		197,668		27,909
Supplies and materials		3,003		4,828
Other		<u>6,919</u>		<u>430</u>
Total General Administration	448,064	\$ <u>419,060</u>	29,004	\$ <u>228,455</u>
School Administration:				
Salaries		\$ 267,953		\$ 176,945
Benefits		189,241		108,758
Purchased services		1,634		122,043
Supplies and materials		9,126		5,065
Other		<u>1,025</u>		<u>664</u>
Total School Administration	486,800	\$ <u>468,979</u>	17,821	\$ <u>413,475</u>
Business Services:				
Salaries		\$ 73,983		\$ 73,429
Benefits		47,446		38,156
Purchased services		62,730		42,161
Supplies and materials		10,574		8,333
Other		<u>1,882</u>		<u>10,385</u>
Total Business Services	189,367	\$ <u>196,615</u>	(7,248)	\$ <u>172,464</u>

**EAU CLAIRE PUBLIC SCHOOLS
GENERAL FUND
Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2014 Actual</u>
Supporting Services - Continued				
Operations and Maintenance:				
Salaries		\$ 131,800		\$ 104,170
Benefits		66,806		70,057
Purchased services		286,158		180,602
Supplies and materials		192,829		202,312
Capital outlay		<u>18,572</u>		<u>17,598</u>
Total Operations and Maintenance	689,017	\$ <u>696,165</u>	(7,148)	\$ <u>574,739</u>
Transportation:				
Salaries		\$ 300,029		\$ 267,091
Benefits		129,759		109,521
Purchased services		76,422		77,954
Supplies and materials		96,885		105,890
Capital outlay		110,150		20,000
Other		<u>328</u>		<u>821</u>
Total Transportation	750,259	\$ <u>713,573</u>	36,686	\$ <u>581,277</u>
Central Services:				
Salaries		\$ 46,804		\$ 43,453
Benefits		27,863		24,376
Purchased services		46,423		36,682
Supplies and materials		1,929		4,395
Capital outlay		<u>9,108</u>		<u>8,991</u>
Total Central Services	129,807	\$ <u>132,127</u>	(2,320)	\$ <u>117,897</u>
Other Supporting Services:				
Athletic activities				
Salaries		\$ 203,129		\$ 183,665
Benefits		91,992		70,218
Purchased services		56,735		52,527
Supplies and materials		58,219		53,391
Capital outlay		17,741		8,575
Other		<u>45</u>		<u>550</u>
Total Athletic Activities		\$ <u>427,861</u>		\$ <u>368,926</u>

**EAU CLAIRE PUBLIC SCHOOLS
GENERAL FUND
Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2014 Actual</u>
Supporting Services - Continued				
Other support				
Salaries		\$ 25,355		\$ 8,091
Benefits		<u>10,404</u>		<u>2,986</u>
Total Other Support		<u>\$ 35,759</u>		<u>\$ 11,077</u>
Total Other Supporting Services	<u>449,334</u>	<u>\$ 463,620</u>	<u>(14,286)</u>	<u>\$ 380,003</u>
Total Supporting Services	<u>\$ 3,894,721</u>	<u>\$ 3,700,052</u>	<u>\$ 194,669</u>	<u>\$ 3,189,176</u>
Community Activities	<u>\$ 39,014</u>	<u>\$ 17,914</u>	<u>\$ 21,100</u>	<u>\$ 21,834</u>
Payment to Other Governments		<u>\$ 29,171</u>	<u>\$ (29,171)</u>	<u>\$ 8,515</u>
TOTAL EXPENDITURES	<u>\$ 9,537,443</u>	<u>\$ 9,294,998</u>	<u>\$ 242,445</u>	<u>\$ 8,080,710</u>

**EAU CLAIRE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
Combining Balance Sheet
June 30, 2015**

	2007 QZAB Debt Retirement	2009 QZAB Debt Retirement
Assets		
Cash	\$ 727,033	\$ 233,333
Due from other funds	-	46,667
TOTAL ASSETS	\$ 727,033	\$ 280,000
Liabilities and Fund Balances		
Liabilities:		
Due to other funds	\$ -	\$ -
Fund Balances:		
Restricted for:		
Debt service	727,033	280,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 727,033	\$ 280,000

<u>2009</u> <u>Debt</u> <u>Retirement</u>	<u>2012</u> <u>Debt</u> <u>Retirement</u>	<u>Total</u>
\$ 38,533	\$ 35,444	\$ 1,034,343
<u>14,284</u>	<u>-</u>	<u>60,951</u>
<u>\$ 52,817</u>	<u>\$ 35,444</u>	<u>\$ 1,095,294</u>
\$ -	\$ 14,284	\$ 14,284
<u>52,817</u>	<u>21,160</u>	<u>1,081,010</u>
<u>\$ 52,817</u>	<u>\$ 35,444</u>	<u>\$ 1,095,294</u>

**EAU CLAIRE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2015**

	2007	2009
	<u>QZAB Debt Retirement</u>	<u>QZAB Debt Retirement</u>
Revenues:		
Local sources:		
Property taxes	\$ -	\$ -
Interest	16,539	-
	<u> </u>	<u> </u>
Total Revenues	\$ 16,539	\$ -
Expenditures:		
Principal repayment	\$ -	\$ -
Interest and other costs	-	-
	<u> </u>	<u> </u>
Total Expenditures	\$ -	\$ -
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 16,539	\$ -
	<u> </u>	<u> </u>
Other Financing Sources:		
Operating transfers in	\$ 82,831	\$ 46,667
	<u> </u>	<u> </u>
Total Other Financing Sources	\$ 82,831	\$ 46,667
Net Change in Fund Balance	\$ 99,370	\$ 46,667
Fund Balances, Beginning of Year	<u>627,663</u>	<u>233,333</u>
FUND BALANCES, END OF YEAR	<u>\$ 727,033</u>	<u>\$ 280,000</u>

2009 Debt Retirement	2012 Debt Retirement	Total
\$ 200,487 <u>34</u>	\$ 134,445 <u>59</u>	\$ 334,932 <u>16,632</u>
<u>\$ 200,521</u>	<u>\$ 134,504</u>	<u>\$ 351,564</u>
\$ 170,000 <u>8,500</u>	\$ 115,000 <u>56,553</u>	\$ 285,000 <u>65,053</u>
<u>\$ 178,500</u>	<u>\$ 171,553</u>	<u>\$ 350,053</u>
<u>\$ 22,021</u>	<u>\$ (37,049)</u>	<u>\$ 1,511</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,498</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,498</u>
\$ 22,021 <u>30,796</u>	\$ (37,049) <u>58,209</u>	\$ 131,009 <u>950,001</u>
<u>\$ 52,817</u>	<u>\$ 21,160</u>	<u>\$ 1,081,010</u>

EAU CLAIRE PUBLIC SCHOOLS
Schedule of Interest and Principal Payments
2012 School Building and Site Bonds
June 30, 2015

Year Ended June 30,	Interest Rate	Interest November 1	Interest May 1	Principal May 1	Total Payment
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>\$ 162,938</u>	<u>\$ 162,937</u>	<u>\$ 2,780,000</u>	<u>\$ 3,105,875</u>

October 19, 2015

**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, 2015, 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 October 19, 2015.

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 2015-01 and 2015-02 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 October 19, 2015.

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.

Grubel & Company, P.C.

October 19, 2015

**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, 2015. 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, 2015.

**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 items 2015-01 and 2015-02. 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.

Beckel & Company, P.C.

EAU CLAIRE PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor Pass Through Grantor Program Title - Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue June 30, 2014
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through M.D.E.			
Child Nutrition Cluster:			
Summer Food Service Program for Children			
Summer Food Meals - 150900 0915	10.559	\$ 7,359	\$ -
Summer Food Meals - 140900 1014	10.559	37,781	-
Summer Food Meals - 140900 0914	10.559	(6,633)	(6,633)
Summer Food Sponsor Adm. - 141900 1014	10.559	2,502	-
Summer Food Sponsor Adm. - 151900 0915	10.559	775	-
Summer Food Sponsor Adm. - 141900 0914	10.559	<u>763</u>	<u>763</u>
Total Summer Food Service Program for Children	10.559	<u>\$ 42,547</u>	<u>\$ (5,870)</u>
National School Lunch Program			
Noncash Assistance:			
National School Lunch - Entitlement	10.555	<u>\$ 20,180</u>	<u>\$ -</u>
Noncash Assistance Subtotal	10.555	<u>\$ 20,180</u>	<u>\$ -</u>
Cash Assistance:			
Free and Reduced - 141960	10.555	\$ 313,775	\$ 10,598
Free and Reduced - 151980	10.555	8,945	-
Free and Reduced - 151960	10.555	<u>301,523</u>	<u>-</u>
Cash Assistance Subtotal	10.555	<u>\$ 624,243</u>	<u>\$ 10,598</u>
Total National School Lunch Program		<u>\$ 644,423</u>	<u>\$ 10,598</u>
School Breakfast Program			
Breakfast - 141970	10.553	\$ 115,888	\$ 5,989
Breakfast - 151970	10.553	<u>116,315</u>	<u>-</u>
Total School Breakfast Program	10.553	<u>\$ 232,203</u>	<u>\$ 5,989</u>
Total Child Nutrition Cluster		<u>\$ 919,173</u>	<u>\$ 10,717</u>
Total Passed Through M.D.E.		<u>\$ 919,173</u>	<u>\$ 10,717</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>\$ 919,173</u>	<u>\$ 10,717</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, 2015</u>	<u>Adjustments</u>
\$ -	\$ 7,359	\$ -	\$ 7,359	\$ -
13,892	23,889	23,889	-	-
(6,633)	-	(6,633)	-	-
-	2,502	2,502	-	-
-	775	-	775	-
<u>763</u>	<u>-</u>	<u>763</u>	<u>-</u>	<u>-</u>
<u>\$ 8,022</u>	<u>\$ 34,525</u>	<u>\$ 20,521</u>	<u>\$ 8,134</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 20,180</u>	<u>\$ 20,180</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 20,180</u>	<u>\$ 20,180</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 262,783	\$ 50,992	\$ 61,590	\$ -	\$ -
-	8,945	8,945	-	-
<u>-</u>	<u>301,523</u>	<u>301,523</u>	<u>-</u>	<u>-</u>
<u>\$ 262,783</u>	<u>\$ 361,460</u>	<u>\$ 372,058</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 262,783</u>	<u>\$ 381,640</u>	<u>\$ 392,238</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 97,518	\$ 18,370	\$ 24,359	\$ -	\$ -
-	116,315	116,315	-	-
<u>97,518</u>	<u>134,685</u>	<u>140,674</u>	<u>-</u>	<u>-</u>
<u>\$ 368,323</u>	<u>\$ 550,850</u>	<u>\$ 553,433</u>	<u>\$ 8,134</u>	<u>\$ -</u>
<u>\$ 368,323</u>	<u>\$ 550,850</u>	<u>\$ 553,433</u>	<u>\$ 8,134</u>	<u>\$ -</u>
<u>\$ 368,323</u>	<u>\$ 550,850</u>	<u>\$ 553,433</u>	<u>\$ 8,134</u>	<u>\$ -</u>

EAU CLAIRE PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor Pass Through Grantor Program Title - Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue June 30, 2014
U.S. DEPARTMENT OF EDUCATION			
Passed Through M.D.E.			
Title I Part A			
151530 1415	84.010	\$ 842,434	\$ -
141530 1314	84.010	<u>955,214</u>	<u>264,099</u>
Total Title I, Part A	84.010	<u>\$ 1,797,648</u>	<u>\$ 264,099</u>
Title I Part C			
Summer - 151830 1415	84.011	\$ 530,149	\$ -
Summer - 141830 1314	84.011	515,631	84,908
Regular - 151890 1415	84.011	232,438	-
Regular - 141890 1314	84.011	<u>195,469</u>	<u>13,133</u>
Total Title I, Part C	84.011	<u>\$ 1,473,687</u>	<u>\$ 98,041</u>
Title III English Proficient Students			
140580 1314	84.365	\$ 35,776	\$ 24,616
150580 1415	84.365	<u>34,826</u>	<u>-</u>
Total Title III Limited English	84.365	<u>\$ 70,602</u>	<u>\$ 24,616</u>
Title II Part A			
140520 1314	84.367	\$ 35,947	\$ 488
150520 1415	84.367	<u>37,854</u>	<u>-</u>
Total Title II, Part A	84.367	<u>\$ 73,801</u>	<u>\$ 488</u>
Total Passed Through M.D.E.		<u>\$ 3,415,738</u>	<u>\$ 387,244</u>
Passed Through Berrien RESA Career and Technical Education			
Perkins IV	84.048	<u>\$ 24,893</u>	<u>\$ -</u>
Total Passed Through Berrien RESA		<u>\$ 24,893</u>	<u>\$ -</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>\$ 3,440,631</u>	<u>\$ 387,244</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Berrien RESA			
Medicaid	93.778	<u>\$ 2,810</u>	<u>\$ -</u>
Total Passed Through Berrien RESA		<u>\$ 2,810</u>	<u>\$ -</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>\$ 2,810</u>	<u>\$ -</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 4,362,614</u>	<u>\$ 397,961</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, 2015</u>	<u>Adjustments</u>
\$ -	\$ 750,179	\$ 540,000	\$ 210,179	\$ -
685,464	117,419	381,518	-	-
<u>\$ 685,464</u>	<u>\$ 867,598</u>	<u>\$ 921,518</u>	<u>\$ 210,179</u>	<u>\$ -</u>
\$ -	\$ 111,693	\$ -	\$ 111,693	\$ -
118,759	325,137	410,045	-	-
-	142,959	100,000	42,959	-
180,133	562	4,516	9,179	-
<u>\$ 298,892</u>	<u>\$ 580,351</u>	<u>\$ 514,561</u>	<u>\$ 163,831</u>	<u>\$ -</u>
\$ 27,119	\$ 5,225	\$ 29,841	\$ -	\$ -
-	23,312	10,000	13,312	-
<u>\$ 27,119</u>	<u>\$ 28,537</u>	<u>\$ 39,841</u>	<u>\$ 13,312</u>	<u>\$ -</u>
\$ 12,846	\$ 5,285	\$ 5,773	\$ -	\$ -
-	37,629	30,000	7,629	-
<u>\$ 12,846</u>	<u>\$ 42,914</u>	<u>\$ 35,773</u>	<u>\$ 7,629</u>	<u>\$ -</u>
<u>\$ 1,024,321</u>	<u>\$ 1,519,400</u>	<u>\$ 1,511,693</u>	<u>\$ 394,951</u>	<u>\$ -</u>
\$ -	\$ 24,893	\$ 24,893	\$ -	\$ -
\$ -	\$ 24,893	\$ 24,893	\$ -	\$ -
<u>\$ 1,024,321</u>	<u>\$ 1,544,293</u>	<u>\$ 1,536,586</u>	<u>\$ 394,951</u>	<u>\$ -</u>
\$ -	\$ 2,810	\$ 2,810	\$ -	\$ -
\$ -	\$ 2,810	\$ 2,810	\$ -	\$ -
\$ -	\$ 2,810	\$ 2,810	\$ -	\$ -
<u>\$ 1,392,644</u>	<u>\$ 2,097,953</u>	<u>\$ 2,092,829</u>	<u>\$ 403,085</u>	<u>\$ -</u>

EAU CLAIRE PUBLIC SCHOOLS
Notes to Schedule of Expenditures of Federal Awards
June 30, 2015

- 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.

EAU CLAIRE PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

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

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A
84.011	Title I, Part C

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, 2015

Section II - Financial Statement Audit Findings

Finding 2015-01 - 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, 2015

Section III - Findings - Federal Award Findings and Questioned Costs

Finding 2015-02 - Time and Effort Reports

Finding Type:

Significant deficiency - internal control over compliance

Federal Program:

Title I, Part A CFDA # 84.010

Condition:

During our testing of the District's compliance of Title I expenditures we noted isolated instances where Personnel Activity Reports were missing.

Criteria:

An employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the activities that fall under the Federal program. Also, an employee who works in part on a single cost objective and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraphs 8.h.(4), (5), and (6) documenting the portion of time and effort dedicated to the single cost objective, and each program or other cost objective supported by nonconsolidated Federal funds or other revenue sources.

Effect:

No evidence of employee time charged to title accounts was noted for 3 of the 36 Title I, Part A payroll transactions tested.

Cause:

The District mandates the use of Personnel Activity Reports. The teachers are required to complete these reports; however, these documents could not be located in 3 instances.

Recommendation:

We recommend the District implement procedures to ensure all documents that are required for Federal funding be placed in a secure location.

View of Responsible Official:

The District has recently hired a new employee who will oversee the Title 1, Part A functions and insure that procedures are in place to maintain compliance with Title 1, Part A requirements.

EAU CLAIRE PUBLIC SCHOOLS
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2015

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
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2015

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.



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October 19, 2015

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, 2015, 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 October 19, 2015.

RIGHT. ON TIME.

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,

A handwritten signature in cursive script that reads "Gerbel & Company, P.C.".

Gerbel & Company, P.C.
Certified Public Accountants



T: 269.983.0534
F: 269.983.7050
www.gerbel.com

Fifth Third Bank Building, Fourth Floor
830 Pleasant Street, P.O. Box 44
St. Joseph, Michigan 49085

October 19, 2015

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, 2015, 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. Now that the 2009 Debt has been paid in full the District can, with Board approval, transfer the remaining funds in the 2009 Debt Fund to the 2012 Debt Fund and close the 2009 fund.
2. During our audit we noted several instances where outstanding checks over one year old remain. The District should follow up on all old outstanding checks to determine if they should be written-off, re-issued or turned over to the State of Michigan Escheats Division. It should be noted that the total of the old outstanding checks doesn't exceed \$675 in any one fund.
3. The 2012 Bond issue will require a separate bond audit within 120 days of the District spending 95% of the original bond proceeds. As of June 30, 2015 the District has spent 90.9% of the bond issue. Once an additional 4.1%, or \$126,643, is spent that audit threshold is triggered. Please contact us as soon as possible after these final funds have been spent so we can schedule the bond audit.
4. During our audit we noted deposits into activity funds that could be interpreted to have belonged to the District as a whole and not an activity fund. The District should consider adopting a policy in which deposits into the activity fund that could be considered donations to the District be verified and approved by the Superintendent.
5. During our audit we noted instances where an employee's time and effort documentation supporting the time spent in Federal programs was missing. Care should be taken to ensure that any employees time charged to a Federal grant is supported by proper documentation.

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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,



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October 19, 2015

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, 2015. 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 14, 2015. 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 2015. 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. The most sensitive estimate affecting the District's financial statements was:

Management's estimate of the pension liability is based on information provided by the Michigan Office of Retirement Services. We evaluated the key factors and assumptions used to develop the pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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.

RIGHT. ON TIME.

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 October 19, 2015.

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 schedules and the pension schedules, which are 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 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 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.
Certified Public Accountants