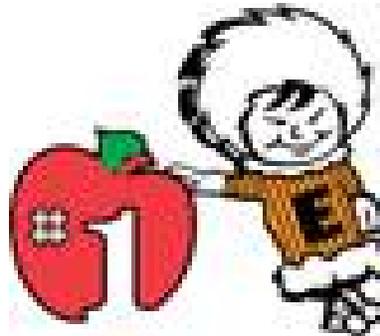


Escanaba Area
Public Schools



Year Ended
June 30, 2014

Financial
Statements and
Single Audit Act
Compliance

ESCANABA AREA PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 10, 2014

Board of Education
Escanaba Area Public Schools
Escanaba, 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 *Escanaba Area Public Schools* (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' 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 of 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity 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 the Schedules of Funding Progress and Employer Contributions for the other postemployment benefit plan listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Schedule of Taxable Valuations, Tax Rates, and Tax Levies has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rehmann Lobson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Escanaba Area Public School's (the "District") management's discussion and analysis is intended to assist the reader in focusing on significant issues, provide an overview of the District's financial activity, identify changes in the District's financial position, and its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Using this Annual Report

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

Management's discussion and analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
(other than MD&A, expanded)

As mentioned, GASB 34 requires the presentation of two basic types of financial statements: District-wide Financial Statements and Fund Financial Statements.

District-wide financial statements. The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, include all assets, deferred outflows of resources, and liabilities and uses the accrual basis of accounting. This means that all of the current year's revenues and expenditures are taken into account regardless of when cash is received.

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

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

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Fund Financial Statements. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore, represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in District programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

Fund types include the General Fund, Special Revenue Fund, Debt Service Funds, Capital Projects Funds, Fiduciary Funds, and Proprietary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions, grants, and other intergovernmental revenues. The Special Revenue Fund is comprised of food service activities. The Debt Service Funds are used to record the funding and payment of principal and interest on bonded debt. The Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities. The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities. The Proprietary Fund accounts are used for those activities where the flow of economic resources is required. The Proprietary Fund is comprised of the Internal Service Fund which is used to account for compensating employees for their unpaid sick leave and have announced their retirement.

Major Features of District-Wide and Fund Financial Statements

	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District.	All District activities that are not fiduciary in nature.	Funds administered on behalf of someone else.
Required statements	Statement of Net Position. Statement of Activities.	Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances.	Statement of Fiduciary Net Position. Statement of Changes in Fiduciary Net Position.
Accounting basis and focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset and liability information	All assets and liabilities both financial and capital, short-term and long-term.	Generally assets expected to be used and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the District as a Whole

	Net Position		
	District-Wide Activities		Percent Change
	2014	2013	
Assets			
Current and other assets	\$ 6,350,091	\$ 6,185,841	2.66%
Capital assets, net	37,130,748	38,161,581	-2.70%
Total assets	43,480,839	44,347,422	-1.95%
Deferred charge on bond refunding	259,771	305,345	-14.93%
Liabilities			
Other liabilities	3,731,262	4,264,200	-12.50%
Long-term liabilities	33,315,886	35,503,513	-6.16%
Total liabilities	37,047,148	39,767,713	-6.84%
Net position			
Net investment in capital assets	6,453,494	5,676,367	13.69%
Restricted for capital projects	95,894	172,596	-44.44%
Restricted for debt service	817,363	824,478	-0.86%
Restricted for food service	50,764	61,790	-17.84%
Unrestricted (deficit)	(724,053)	(1,850,177)	-60.87%
Total net position	\$ 6,693,462	\$ 4,885,054	37.02%

Summary of Net Position

The District's net position totaled approximately \$6,693,000 and \$4,885,000 for 2014 and 2013, respectively. Total net position can be separated into three categories: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets is a combination of funds invested in capital assets, less accumulated depreciation and related debt. The original cost of capital assets is approximately \$52,191,000 and \$52,044,000 for 2014 and 2013, respectively. The threshold for recording capital assets is \$5,000. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated useful life of the assets. Total accumulated depreciation is approximately \$15,060,000 for 2014 and \$13,882,000 for 2013. Total debt related to capital assets is approximately \$31,162,000 for 2014 and \$33,031,000 for 2013.

Restricted net position for capital projects, debt service, and food service are by their nature restricted for use by laws or regulations by the State of Michigan. These funds totaled approximately \$96,000, \$817,000, and \$51,000 respectively for 2014, and approximately \$173,000, \$824,000 and \$62,000 for capital projects, debt service and food service, respectively, for 2013.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

The remaining balance in unrestricted net position represents a deficit of approximately \$724,000 for 2014 and \$1,850,000 for 2013. The primary reason for the deficit is a result of employee benefit programs for payment of unused sick leave at the time of retirement and early retirement incentive payments. This liability totaled approximately \$2,379,000 for 2014 and \$2,713,000 for 2013.

The results of operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-wide results of operations for the year ended June 30, 2014 and 2013 is as follows:

	Change in Net Position		
	District-Wide Activities		Percent Change
	2014	2013	
Program revenues			
Charges for services - local	\$ 573,299	\$ 522,294	9.77%
Operating grants - federal, state, and local	1,976,863	2,022,295	-2.25%
Total program revenues	2,550,162	2,544,589	0.22%
General revenue			
Property taxes - operations	3,862,663	3,707,733	4.18%
Property taxes - debt retirement	3,032,622	2,941,821	3.09%
State of Michigan aid - unrestricted	13,800,932	13,665,070	0.99%
State of Michigan aid - restricted	2,431,278	1,952,002	24.55%
Other	151,474	165,526	-8.49%
Total general revenue	23,278,969	22,432,152	3.78%
Total revenue	25,829,131	24,976,741	3.41%
Expenses			
Instruction	\$13,588,087	\$14,437,785	-5.89%
Supporting services	6,674,007	6,785,911	-1.65%
Community services	67,399	94,932	-29.00%
Food services	1,137,606	1,128,249	0.83%
Interest on long-term debt	1,360,316	1,361,288	-0.07%
Other expenditures	15,699	-	100.00%
Unallocated depreciation	1,177,609	1,143,987	2.94%
Total expenses	24,020,723	24,952,152	-3.73%
Change in net position	1,808,408	24,589	7254.54%
Net position, beginning of year	4,885,054	4,860,465	0.51%
Net position, end of year	\$ 6,693,462	\$ 4,885,054	37.02%

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Governmental Funds Financial Highlights

The overall condition of the governmental funds has significantly improved from the prior year. The General Fund balance increased approximately \$654,000. This is a result of an increase in Delta Schoolcraft ISD reimbursement for special education cost and an increase in Medicaid cost reimbursements.

Major Governmental Funds Budgeting and Operating Highlights

The District's Funds

As we noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide and may provide more insight into the District's overall financial health.

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known and the State of Michigan's budget has been finalized. Therefore, it is expected that there will be changes between the initial budget and subsequent amendments, as actual enrollments are known and the State of Michigan's budget is adopted by October 1 and any subsequent budget amendments are made. The most significant fund budgeted is the General Fund. The General Fund budget was amended three times during the year.

General Fund Operations

Financial Highlights - General Fund					
Fiscal Year	Revenue	Expenditures and Transfers	Fund Balance	Enrollment	Increase/ (Decrease) in Student
2004-2005	\$21,315,476	\$22,779,695	\$ 2,855,418	3,013	(86)
2005-2006	21,174,541	21,438,666	2,591,293	2,963	(50)
2006-2007	21,516,630	21,580,929	2,526,994	2,882	(81)
2007-2008	21,431,735	21,407,472	2,551,257	2,778	(104)
2008-2009	22,728,518	23,507,969	1,771,806	2,716	(62)
2009-2010	22,590,284	22,716,143	1,647,236	2,712	(4)
2010-2011	22,202,500	22,869,719	980,017	2,628	(84)
2011-2012	21,418,411	21,115,220	1,283,208	2,587	(41)
2012-2013	21,176,237	21,669,945	789,500	2,522	(65)
2013-2014	21,649,496	20,995,286	1,443,710	2,511	(11)

In the General Fund operations, the actual revenue was approximately \$21,649,000. This is above the original budgeted revenues and other financing sources of approximately \$21,208,000 and above the final amended budgeted revenues and other financing sources of approximately \$21,560,000, a variance of approximately 0.42%. The actual expenditures of the General Fund operations were approximately \$20,845,000 and transfers to other funds was \$150,000. This is below the original budget of approximately \$21,364,000 and below the final budget of approximately \$21,638,000, a variance of approximately 4.36%.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Governmental Fund Expenditures

Below is a summary of the governmental fund expenditures by fund and their percentages of total governmental funds:

	Expenditures	Percentage
General Fund	\$20,845,286	83%
Nonmajor governmental funds	4,282,635	17%
Total	<u>\$25,127,921</u>	<u>100%</u>

Revenues for all governmental funds totaled approximately \$25,813,000. Below is a summary of the governmental fund revenues by source and their percentages of total governmental funds:

	Revenues	Percentage
Local sources	\$ 7,815,774	30%
State sources	16,278,702	63%
Federal sources	1,511,563	6%
Other	207,393	1%
Total	<u>\$25,813,432</u>	<u>100%</u>

Unrestricted State Aid

The District is predominately funded by State Aid based on a blended count formula that the State of Michigan utilizes. State revenues to the District have increased by approximately \$615,000 from the previous year. State aid membership counts were 2,511 and 2,522 for fiscal 2014 and 2013, respectively.

Property Taxes

The District levies 18 mills of property taxes on all non-homestead property and 6 mills on commercial personal property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate or the prior year of 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of the market value. The fiscal 2014 non-homestead and personal property tax levies totaled approximately \$3,863,000.

The District levied 4.75 mills of property taxes on all classes of property located within the District for bonded debt retirement. The levy is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement for fiscal year 2014 was approximately \$3,033,000.

Operating Grants - Federal, State, and Local

The primary sources of operating grants are the Federal Title I program, the State funded At Risk program, and the Special Education Obligation funds required under the Headlee Amendment, State of Michigan legislation. Both Title I and At Risk programs assist students who are deemed to be at risk in the instructional process. For fiscal 2014, the District has utilized approximately \$622,000, \$244,000 and \$590,000 for the Title I, Title II and At Risk programs, respectively.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Enrollment

The District's 2013-2014 blended enrollment totaled 2,511, which is a decrease of 11 students from the previous year. Escanaba Area Public Schools is located in Michigan's Upper Peninsula and is the second largest district in Upper Michigan.

The past two years have seen changes in the economic condition of the community. The District has begun to see improvements in the regional economic condition which has resulted in improved enrollment in the District. Continual close monitoring of the regional employment opportunities along with birth rates will help the District project enrollment changes over time.

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

Capital Assets and Debt Administration

Capital Assets. At the end of fiscal 2014, the School District had approximately \$52,191,000 invested in land and building, machinery and equipment, vehicles and buses. Of this amount approximately \$15,060,000 has been depreciated. Net book value totals approximately \$37,131,000. The years of construction of the District buildings ranges from 1931 to 2014. The District currently owns five elementary buildings of which two have been closed due to declining enrollment. Of the closed buildings, one building is being leased to the local intermediate school district and will house the new Escanaba Virtual Career Center, and one is currently being used for storage for excess building equipment. Beginning in fiscal year 2013 the reconfiguration of building grade levels was completed with K-3 in each of three elementary buildings, 4-6 became the Upper Elementary building, 7-8 became the Junior High and 9-12 became the Senior High School. Due to budget constraints related to declining enrollment, the State of Michigan financial status, and increasing fringe benefits, the ability to maintain these buildings has been becoming increasingly difficult. This reconfiguration was based on declining enrollment and efficient use of all facilities to meet the educational needs of the students of the District.

The District's capitalization policy is to capitalize assets purchased in amounts of more than \$5,000 that have an estimated useful life in excess of one year.

Outstanding Debt at Year End

Long-term Debt. As of June 30, 2014, the District had approximately \$30,645,000 in bonds outstanding from capital projects and approximately \$292,000 in installment purchase agreements outstanding. The District collects bonded debt across the total property values. Therefore, total growth in valuation is an important element in determining the District's ability to retire bonded debt and/or to incur additional debt.

For more detailed information regarding capital assets and debt administration, please review the Notes to Financial Statements located in the financial section of this report.

ESCANABA AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2014 fiscal year budgets. There are many important factors affecting the budget, two of which are our student count and state per-pupil foundation allowance. In the 2012-2013 year our student count dipped to a blended count of 2,522. In 2013-2014 we declined to 2,511 students. The reduction of 11 students was significantly less than the past several years however resulted in approximately \$77,300 less in state foundation allowance. It is expected the enrollment will continue to decline as Upper Peninsula Michigan employment opportunities continue to be limited, however we may be seeing a slight turn around. The 2015 fiscal year budget will reflect new programs and new opportunities for students while continually monitoring costs as state and local funding remains conservative.

The Board of Education and administration worked closely with staff and community members to create a budget that would provide unique opportunities for students while remaining fiscally responsible. Continued changes in staff and programs were included in the fiscal 2015 budget. While the Board of Education has chosen to use some fund balance to maintain programs, they have focused on reducing costs to align revenue and expenditures in the fiscal 2015 budgets. The Board and Administration continue to develop a strategy to reduce spending while providing a quality education to Escanaba students and maintain the long-term fiscal health of the District.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

ESCANABA AREA PUBLIC SCHOOLS

Statement of Net Position

Governmental Activities

June 30, 2014

Assets

Cash and cash equivalents	\$ 3,151,251
Investments	95,741
Receivables	3,085,782
Inventories	17,317
Capital assets not being depreciated	720,597
Capital assets being depreciated, net	<u>36,410,151</u>

Total assets

43,480,839

Deferred outflows of resources

Deferred charge on bond refunding	<u>259,771</u>
-----------------------------------	----------------

Liabilities

Accounts payable and accrued liabilities	2,217,576
Unearned revenue	12,707
Revenue anticipation notes payable	1,494,475
Long-term liabilities:	
Due within one year	2,017,850
Due in more than one year	31,298,036
Net other postemployment benefit obligation	<u>6,504</u>

Total liabilities

37,047,148

Net position

Net investment in capital assets	6,453,494
Restricted for:	
Capital projects	95,894
Debt service	817,363
Food service	50,764
Unrestricted (deficit)	<u>(724,053)</u>

Total net position

\$ 6,693,462

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Activities

Governmental Activities

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 13,588,087	\$ -	\$ 1,112,241	\$ (12,475,846)
Supporting services	6,674,007	118,565	211,415	(6,344,027)
Community services	67,399	-	-	(67,399)
Food services	1,137,606	454,734	653,207	(29,665)
Interest on long-term debt	1,360,316	-	-	(1,360,316)
Other expenditures	15,699	-	-	(15,699)
Unallocated depreciation	1,177,609	-	-	(1,177,609)
Total district-wide activities	\$ 24,020,723	\$ 573,299	\$ 1,976,863	(21,470,561)
General revenues				
Property taxes - operations				3,862,663
Property taxes - debt retirement				3,032,622
State of Michigan aid - unrestricted				13,800,932
State of Michigan aid - restricted				2,431,278
Other				151,474
Total general revenues				23,278,969
Change in net position				1,808,408
Net position, beginning of year				4,885,054
Net position, end of year				\$ 6,693,462

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

FUND FINANCIAL STATEMENTS

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ESCANABA AREA PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,900,964	\$ 1,239,793	\$ 3,140,757
Investments	-	95,741	95,741
Accounts receivable	217,406	95,836	313,242
Due from other funds	-	148	148
Due from other governmental units	2,772,540	-	2,772,540
Inventories	-	17,317	17,317
Total assets	\$ 4,890,910	\$ 1,448,835	\$ 6,339,745
Liabilities			
Accounts payable	\$ 61,528	\$ 45,368	\$ 106,896
Salaries payable	1,066,876	-	1,066,876
Due to other funds	-	148	148
Accrued liabilities	811,614	21,681	833,295
Unearned revenues	12,707	-	12,707
Revenue anticipation notes payable	1,494,475	-	1,494,475
Total liabilities	3,447,200	67,197	3,514,397
Fund balances			
Nonspendable for inventories	-	17,317	17,317
Restricted:			
Debt service	-	1,017,378	1,017,378
Capital projects	-	95,894	95,894
Food service	-	33,447	33,447
Committed for capital projects	-	217,602	217,602
Assigned for subsequent years' expenditures	224,035	-	224,035
Unassigned	1,219,675	-	1,219,675
Total fund balances	1,443,710	1,381,638	2,825,348
Total liabilities and fund balances	\$ 4,890,910	\$ 1,448,835	\$ 6,339,745

The accompanying notes are integral part of these financial statements.

ESCANABA AREA PUBLIC SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2014

Fund balances - total governmental funds	\$ 2,825,348
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in <i>governmental activities</i> are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	720,597
Capital assets being depreciated, net	36,410,151
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and installment purchase agreements payable	(31,161,844)
Deferred loss on bond refunding	259,771
Unamortized original issue discount, net	224,819
Accrued interest on bonds payable	(200,015)
Compensated absences	(2,378,861)
Net other postemployment benefit obligation	(6,504)
Net position of governmental activities	<u>\$ 6,693,462</u>

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 4,305,045	\$ 3,510,729	\$ 7,815,774
State sources	16,232,210	46,492	16,278,702
Federal sources	904,848	606,715	1,511,563
Other sources	207,393	-	207,393
Total revenues	21,649,496	4,163,936	25,813,432
Expenditures			
Current:			
Instruction	13,927,198	-	13,927,198
Supporting services	6,743,283	-	6,743,283
Community services	67,399	-	67,399
Food services	-	1,130,918	1,130,918
Debt service:			
Principal	69,477	1,799,213	1,868,690
Interest and fiscal charges	37,929	1,268,538	1,306,467
Capital outlay	-	83,966	83,966
Total expenditures	20,845,286	4,282,635	25,127,921
Revenues over (under) expenditures	804,210	(118,699)	685,511
Other financing sources (uses)			
Transfers in	-	150,000	150,000
Transfers out	(150,000)	-	(150,000)
Total other financing sources (uses)	(150,000)	150,000	-
Net changes in fund balances	654,210	31,301	685,511
Fund balances, beginning of year	789,500	1,350,337	2,139,837
Fund balances, end of year	\$ 1,443,710	\$ 1,381,638	\$ 2,825,348

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

ESCANABA AREA PUBLIC SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ 685,511
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	146,776
Depreciation expense	(1,177,609)
Governmental funds report bond refunding costs and bond premiums as expenditures and revenue, respectively. However, in the statement of activities, these costs are allocated over the life of the related bonds and reported as interest expense.	
Amortization of deferred loss on bond refunding	(45,574)
Amortization of bond issue discounts	(15,156)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net position.	
Principal payments on long-term debt	1,868,690
Change in net other postemployment benefit obligation	5,018
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in the accrual for compensated absences	334,093
Change in accrued interest payable on long-term debt	6,659
	<hr/>
Change in net position - governmental activities	<u>\$ 1,808,408</u>

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Change in Fund Balances

Budget and Actual - General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 4,382,139	\$ 4,320,742	\$ 4,305,045	\$ (15,697)
State sources	15,760,282	16,164,683	16,232,210	67,527
Federal sources	930,536	999,212	904,848	(94,364)
Other sources	134,770	75,000	207,393	132,393
Total revenues	21,207,727	21,559,637	21,649,496	89,859
Expenditures				
Current:				
Instruction	14,074,435	14,269,905	13,927,198	(342,707)
Supporting services	7,044,456	7,137,398	6,743,283	(394,115)
Community services	137,144	116,781	67,399	(49,382)
Debt service:				
Principal	70,000	76,020	69,477	(6,543)
Interest and fiscal charges	37,500	37,500	37,929	429
Total expenditures	21,363,535	21,637,604	20,845,286	(792,318)
Revenues over (under) expenditures	(155,808)	(77,967)	804,210	882,177
Other financing uses				
Transfers out	-	-	(150,000)	(150,000)
Net change in fund balance	(155,808)	(77,967)	654,210	732,177
Fund balance, beginning of year	789,500	789,500	789,500	-
Fund balance, end of year	\$ 633,692	\$ 711,533	\$ 1,443,710	\$ 732,177

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Net Position

Proprietary Fund

June 30, 2014

	Governmental Activities
	Internal Service Fund
Assets	
Cash and cash equivalents	\$ 10,494
Liabilities	
Employee benefits payable	\$ 10,494

* NOTE: There was no revenues, expenditures or cash flow activities for the year ended June 30, 2014.

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	Private Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents	\$ 150,902	\$ 115,960
Accrued interest	10,794	-
Investments - at fair value	5,567,113	-
	<u>5,728,809</u>	<u>115,960</u>
Total assets	<u>5,728,809</u>	<u>\$ 115,960</u>
Liabilities		
Accounts payable	-	\$ 2,518
Due to student groups	-	113,442
	<u>-</u>	<u>115,960</u>
Total liabilities	<u>-</u>	<u>\$ 115,960</u>
Net position held in trust for scholarships	<u>\$ 5,728,809</u>	

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

ESCANABA AREA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2014

	Private Purpose Trusts
Additions	
Contributions	\$ 497,223
Investment income:	
Net increase in fair value of investments	396,114
Interest and dividends	145,241
Gain on sale of investments	105,259
Net investment income	646,614
Total additions	1,143,837
Deductions	
Scholarships and trophies	235,887
Trustee fees	31,114
Total deductions	267,001
Change in net position	876,836
Net position, beginning of year	4,851,973
Net position, end of year	\$ 5,728,809

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

NOTES TO FINANCIAL STATEMENTS

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The accounting policies of the *Escanaba Area Public Schools* (the "District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

The District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate component units of the District. Based on application of the criteria, the District has no component units.

District-wide and Fund Financial Statements

The District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2014.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District-wide financial statements and the Private Purpose Trust Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Agency Fund follows the accrual basis of accounting, but does not have a measurement focus.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

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

The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

Additionally, the District reports the following funds:

The *Food Service Special Revenue Fund* accounts and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The *2010 Construction Capital Project Fund* is used to account for the renovation of buildings of the District as a result of the bond issues approved by the voters. These funds are restricted for the purposes specified in the bond issue.

The *Public Improvement Capital Project Fund* accounts for the financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

The *2001 Debt Retirement Fund* accounts for financial resources restricted for principal and interest payments on bonds payable. Revenues are generated primarily through property tax millage.

The *2010 Debt Retirement Fund* accounts for financial resources restricted for principal and interest payments on bonds payable. Revenues are generated primarily through property tax millage.

The *Internal Service Fund* is used for the financing of unused terminal sick leave plan payments.

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

The *Agency Fund* accounts for assets held for other groups and organizations and is custodial in nature.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

Assets, deferred outflows of resources, liabilities, and equity

Deposits and investments

The District's cash and cash equivalents include demand deposits, savings accounts, certificates of deposit with maturities of less than three months, and shares in a government money market account.

Investments are reported at fair value.

Receivables

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

Inventories

Inventories are valued at the lower of cost or market (first-in, first-out). Inventories consists of expendable supplies held for sale or consumption. The cost is recorded as an expenditure when consumed or sold rather than when purchased. Reported inventories are equally offset by nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Capital assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Generally, capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-50
Machinery and equipment	5-10
Vehicles and buses	5-10

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category which is the deferred charge on bond refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

Accrued Compensated Absences

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

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

Long-term Obligations

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Bonded Construction Costs

The 2010 Construction Capital Project Fund includes activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code. Beginning in the year of issuance, the District has recorded the annual construction activity in the 2010 Construction Capital Project Fund. The project for which the 2010 building and site bonds were issued was substantially complete on June 30, 2013.

Fund Balances

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

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

Restricted net position represent assets which are legally restricted by outside parties or enabling legislation.

Property Taxes

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2013 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

Interfund Transactions

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue funds. All annual appropriations lapse at fiscal year-end.

The General Fund and special revenue fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (“GAAP”), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budget for the General Fund is adopted on a functional basis.

	Final Appropriation	Expenditures	Unfavorable Variance
General Fund			
Interest and fiscal charges	\$ 37,500	\$ 37,929	\$ 429
Transfers out	-	150,000	150,000

3. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2014:

	Totals
Governmental Activities	
Cash and cash equivalents	\$ 3,151,251
Investments	95,741
Fiduciary Funds	
Private Purpose Trusts:	
Cash and cash equivalents	150,902
Investments	5,567,113
Agency Funds:	
Cash and cash equivalents	115,960
Total	<u>\$ 9,080,967</u>
Deposits and investments	
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 3,416,513
Cash on hand	1,600
Investments	5,662,854
Total	<u>\$ 9,080,967</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Michigan law authorizes the District to deposit and invest in:

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

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

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

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

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

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

The purpose of investments is to maximize the returns on the District's excess cash balances consistent with safety of those monies and with the desired liquidity of the investments.

The District's scholarship funds, which are reported as fiduciary, private purpose trust funds, are invested with a balanced objective. This balanced objective is a balance between current income and long-term capital appreciation. The Scholarship Committee reviews investment performance on an annual basis to ensure compliance with the objectives.

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

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The District chooses to disclose its investments by specifically identifying each. As of year-end, the District had the following investments:

	Original Cost	Less than One Year	1 - 5 Years	More than Five Years	Fair Value
Government bonds	\$ 25,239	\$ 25,323	\$ -	\$ -	\$ 25,323
Corporate bonds	610,900	-	432,121	222,680	654,801
Other fixed income	25,000	25,000	-	-	25,000
	<u>\$ 661,139</u>	<u>\$ 50,323</u>	<u>\$ 432,121</u>	<u>\$ 222,680</u>	<u>705,124</u>
Investments not subject to maturity					<u>4,957,730</u>
					<u>\$ 5,662,854</u>

Certificates of deposit of \$63,458 are considered bank deposits for risk purposes.

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The government bonds listed above all have a rating of AA+ from Standard and Poors, while the corporate bonds rate from A- to AA+ from Standard and Poors. Other fixed income securities and investments are not rated.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$3,383,652 of the District's bank balance of \$3,787,439 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investments listed above, the custodial credit risk cannot be determined because these investments are uncategorized as to credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

4. RECEIVABLES

Receivables in the governmental activities are 90% due from other governments and 10% accounts receivable.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are 5% vendors, 53% salaries payable, and 42% other accrued liabilities.

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The District reports interfund balances between certain funds. These interfund balances resulted primarily from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. As of June 30, 2014, the 2010 Debt Retirement Fund had an outstanding liability to the 2001 Debt Retirement Fund for \$148.

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During the year ended June 30, 2014, the General Fund transferred \$150,000 to the Public Improvement Fund.

7. CAPITAL ASSETS

Capital assets activity was as follows for the year ended June 30, 2014:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 720,597	\$ -	\$ -	\$ -	\$ 720,597
Capital assets, being depreciated:					
Buildings and improvements	47,440,157	41,670	-	-	47,481,827
Machinery and equipment	2,247,605	105,106	-	-	2,352,711
Vehicles and buses	1,635,585	-	-	-	1,635,585
	<u>51,323,347</u>	<u>146,776</u>	<u>-</u>	<u>-</u>	<u>51,470,123</u>
Less accumulated depreciation for:					
Buildings and improvements	(11,422,465)	(910,836)	-	-	(12,333,301)
Machinery and equipment	(1,289,734)	(165,065)	-	-	(1,454,799)
Vehicles and buses	(1,170,164)	(101,708)	-	-	(1,271,872)
	<u>(13,882,363)</u>	<u>(1,177,609)</u>	<u>-</u>	<u>-</u>	<u>(15,059,972)</u>

(continued)

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Total capital assets being depreciated, net	\$ 37,440,984	\$ (1,030,833)	\$ -	\$ -	\$ 36,410,151
Governmental activities capital assets, net	\$ 38,161,581	\$ (1,030,833)	\$ -	\$ -	\$ 37,130,748

Depreciation expense of \$1,177,609 is reported as unallocated in the Statement of Activities.

8. REVENUE ANTICIPATION NOTES PAYABLE

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

Short-term debt activity related to these notes for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
State aid anticipation notes payable	\$ 1,898,742	\$ 2,600,000	\$ (3,004,267)	\$ 1,494,475

The note which carries interest ranging from 0.430%-1.378% is repaid annually as a reduction of state aid with the remaining outstanding balance repaid in a lump sum in July and August.

9. LONG-TERM DEBT

Long-term debt activity of the District for the year ending June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
General obligation bonds	\$ 32,635,000	\$ -	\$ (1,765,000)	\$ 30,870,000	\$ 1,835,000
Installment purchase agreements	395,534	-	(103,690)	291,844	105,594
Total installment debt	33,030,534	-	(1,868,690)	31,161,844	1,940,594
Bond discount	(239,975)	-	15,156	(224,819)	15,156
Accrued compensated absences	2,712,954	-	(334,093)	2,378,861	62,100
Total	\$ 35,503,513	\$ -	\$ (2,187,627)	\$ 33,315,886	\$ 2,017,850

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The District's long-term debt consists of the following:

General Obligation Bonds

\$7,950,000, 2006 refunding bonds, due in annual installments ranging of \$30,000 to \$1,680,000 with final payment due on May 1, 2021. Interest is paid semi-annually at rates varying from 3.50% to 4.00%.	\$ 7,415,000
\$6,670,000, 2010 refunding bonds, due in annual installments of \$555,000 to \$1,325,000 with final payment due on May 1, 2017. Interest is paid semi-annually at rates varying from 2.00% to 4.00%.	3,145,000
\$21,670,000, 2010 school building and site unlimited tax bonds, due in annual installments of \$515,000 to \$1,800,000 with final payment due May 1, 2030. Interest is paid semi-annually at rates varying from 1.60% to 5.10%.	<u>20,310,000</u>
Total general obligation bonds	<u>\$ 30,870,000</u>

Installment Purchase Agreements

\$166,798, Installment purchase agreements for two buses, due in annual installments of \$34,000 through May 2018, plus interest charged at 2.19%.	\$ 136,000
\$101,055, Installment purchase agreement with Apple Inc. for computer equipment, due in annual installments ranging from \$32,903 to \$34,213 through July 2015, plus interest charged at 3.00%.	66,842
\$163,322, Installment purchase agreements for two buses, due in annual installments of \$32,664 through March 2016, plus interest charged at 2.41%.	65,002
\$30,015, Chevrolet Silverado, due in annual payments of \$6,000 through May 2018, plus interest at 2.12%.	<u>24,000</u>
Total installment purchase agreements	<u>\$ 291,844</u>

On February 21, 2010, the District did an advance refunding of a portion of the 2001 debt issue. This resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$531,110 and is being charged to operations through the year 2021 using the straight-line method.

On October 5, 2011, the District did an advance refunding of the remaining portion of the 2001 debt issue not previously refunded. This resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$61,000 and is being charged to operations through the year 2017 using the straight-line method.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

On May 11, 2010, the District issued new general obligation bonds for the purpose of renovating the high school and other buildings. The new bonds have a face value of \$21,670,000. The net amount received was \$21,382,030. The net difference is due to discounts upon the sale of the bonds. This discount is being amortized over the life of the bonds.

At June 30, 2014, the District's Governmental Activities long-term debt consisted of the following:

Early Retirement Incentive

The current employment contracts with teachers and administrators allow the option of early retirement to those employees who meet state requirements for retirement. Qualified retirees shall receive an early retirement incentive of \$150 per month for a period of up to six years. At June 30, 2014, 49 retirees were receiving or eligible to begin receiving the early retirement incentive, with \$77,100 being paid to these individuals during 2014. The total early retirement incentive liability at June 30, 2014 was \$153,900. This balance is included in accrued compensated absences.

Accrued compensated absences

Accrued employee benefits included in long-term debt are for the accumulated terminal leave of employees from unused sick leave and the early retirement incentive, as previously discussed. The accumulated terminal leave at June 30, 2014 was \$2,224,961.

The estimated debt service requirements for principal and interest to maturity as of June 30, 2014 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2015	\$ 1,835,000	\$ 1,195,031	\$ 3,030,031
2016	1,905,000	1,154,943	3,059,943
2017	2,005,000	1,084,834	3,089,834
2018	2,115,000	1,014,054	3,129,054
2019	2,200,000	932,891	3,132,891
2020-2024	10,010,000	3,400,726	13,410,726
2025-2029	9,000,000	1,542,938	10,542,938
2030	1,800,000	77,513	1,877,513
Total	\$ 30,870,000	\$ 10,402,930	\$ 41,272,930

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Year Ending June 30,	Installment Purchase Agreements		
	Principal	Interest	Total
2015	\$ 105,594	\$ 7,057	\$ 112,651
2016	106,250	4,415	110,665
2017	40,000	1,744	41,744
2018	40,000	872	40,872
Total	\$ 291,844	\$ 14,088	\$ 305,932

The debt service requirements for accrued compensated absences are dependent upon future employee retirements and terminations. Thus, future payments are unknown at June 30, 2014. Compensated absences and early retirement incentives are generally liquidated by the General Fund.

10. RETIREMENT PLAN

Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a collection of several retirement plans administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute. The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-5103.

Funding Policy

Defined Benefit Plans

Member contribution rates vary based on date of hire and certain voluntary elections. Member Investment Plan ("MIP") members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, through June 30, 2008, contribute at the following graduated permanently fixed contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Members first hired July 1, 2008 through June 30, 2010 contribute at the following graduated permanently fixed contribution rates: 3.0 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 6.4 percent of all wages over \$15,000. Basic Plan members make no contributions. Basic 4% and MIP 7% members contribute 4 percent and 7 percent of pretax salary, respectively. Based on the option selected at enrollment, these individuals contribute at a fixed rate until termination of employment or until reaching 30 years of service. At that time, based on the option selected, employee contributions are no longer required or revert to the contribution requirements under the MIP plan in which the employee initially enrolled.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The rates for the year ended June 30, 2014 as a percentage of payroll ranged from 24.32 to 24.79 percent. In addition, the District is invoiced monthly an amount that approximates 4.56 percent of covered payroll for "MPERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services.

Hybrid Plans

Members hired between July 1, 2010 and September 3, 2012 are enrolled in the Pension Plus plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan (described below). Participant contributions contain a pension component as well as a savings component. The pension component is based on the following pretax contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 6.4 percent of all wages over \$15,000. For the savings component, participants contribute 2 percent of gross pay to a 457 plan. Member contributions for the savings component are matched at a rate of 50 percent by the employer, up to a maximum of one percent and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in the defined benefit plan were provided the option to convert to a defined contribution plan. In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4 percent employer contributions to a personal 401(k) account.

Voluntary employee contributions are permitted in accordance with IRS guidelines. Employer contributions for the pension component of the plan vest at 10 years of service. Employer contributions for the savings component and earnings thereon vest based on the following schedule: 50 percent at 2 years of service, 75 percent at 3 years of service, and 100 percent at 4 years of service. Any voluntary contributions vest with the employee immediately. If a member participating in the hybrid plan retires with certain age and service requirements, he or she will receive a monthly pension based on compensation received before February 1, 2013.

Defined Contribution Plan

A member first enrolling in MPERS on or after September 4, 2012 is automatically enrolled in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the hybrid plan as described above.

Required Contribution

The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS under all plans for the years ended June 30, 2014, 2013, and 2012 were \$2,841,583, \$2,944,320, and \$2,365,098, respectively, equal to the required contributions for each year.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the Premium Subsidy plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Plan participants contribute 3 percent of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that cover up to 80 percent of cost.

Plan members enrolled on or after September 4, 2012 participate in the Personal Healthcare Fund. This defined contribution other postemployment benefits plan includes a required 2 percent employee contribution into a personal tax-deferred account, which is matched by an additional 2 percent employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3 percent employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The District's contributions to MPSERS for other postemployment benefits are not separately identified and are included in the contribution amounts disclosed above.

11. DISTRICT DEFINED BENEFIT LIFE INSURANCE PLAN

District Life Insurance Plan

Plan Description. The District administers a single-employer defined benefit life insurance plan (the "Plan"). In addition to the retirement benefits described above, the Plan provides various levels of life insurance to certain retirees up to the age 70, depending on the applicable employee group, which are advance funded on an actuarial basis. The Plan does not prepare separately-issued financial statements.

Basis of Accounting. The Plan is accounted for using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Funding Policy. The contribution requirements of Plan members and the District are established and may be amended by the Board of Education. The required contribution is based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually by the Board of Education. For the year ended June 30, 2014, the District contributed \$42,143 to the Plan, all of which was to fund current year benefits.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC 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 liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 37,700
Interest on Net OPEB Obligation	461
Adjustment to Annual Required Contribution	<u>(1,036)</u>
Net OPEB Cost (expense)	37,125
Contributions made	<u>(42,143)</u>
Decrease in net OPEB obligation	(5,018)
Net OPEB obligation, beginning of year	<u>11,522</u>
Net OPEB obligation, end of year	<u><u>\$ 6,504</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal 2014 and the previous two years was:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 40,369	100%	\$ -
2013	55,919	79%	11,522
2014	37,125	114%	6,504

Funded Status and Funding Progress. As of June 30, 2014, the actuarial accrued liability for benefits was \$336,777, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves 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 of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits calculations.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

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

The following simplifying assumptions were made:

Retirement age for active employees - Retirement rate percentages varied based on a specific age between 50 and 65 years old.

Mortality - Life expectancies were based on the IRS 2014 Non-annuitant (sex distinct) and Annuitant (sex distinct) mortality tables.

Turnover - No turnover rates were used in the actuarial valuation.

Life insurance cost trend rate - Premiums decreased from levels valued in 2013, which was the previous actuarial valuation.

Life insurance premiums - The monthly premiums were based off of three separate categories of employees at three separate rates: Administrators and Supervisors - \$25.00; EEA - \$18.75; Teamsters and Non-Union - \$16.25.

A discount rate of 4.00% was used. The unfunded actuarial accrued liability is being amortized on the level dollar, closed method. The remaining amortization period at June 30, 2014, was fourteen years.

12. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2014, was as follows:

Capital assets:	
Capital assets not being depreciated	\$ 720,597
Capital assets being depreciated, net	36,410,151
	<u>37,130,748</u>
Less related debt:	
Noncurrent liabilities	
Due within one year	(2,017,850)
Due in more than one year	(31,298,036)
Deferred charge on bond refunding	259,771
Add back: accrued employee benefits	2,378,861
	<u>(30,677,254)</u>
Net investment in capital assets	<u>\$ 6,453,494</u>

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

13. COMMITMENTS AND CONTINGENCIES

Scholarships

Each year the District awards numerous scholarships to graduating students, many of which are paid out over a four year period from the Private-Purpose Trust Funds. The District has consistently recorded the expense for scholarships based on when they are paid, since the students must attain minimum grade levels in order to receive their scholarships. At June 30, 2014 there was approximately \$1,754,000 of outstanding scholarships for the Anna C. Norton Scholarship Private-Purpose Trust Fund and \$3,975,000 for the Co-mingled Private-Purpose Trust Fund and other scholarship funds.

Federal Grant Programs

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

Other

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

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

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2014.

14. SUBSEQUENT EVENTS

In August 2014, the District borrowed \$3,800,000 on state aid anticipation notes with effective interest charged from 0.42%-1.235% maturing in July and August 2015.

ESCANABA AREA PUBLIC SCHOOLS

Notes to Financial Statements

15. EFFECT OF UPCOMING CHANGES IN ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be effective for the District's fiscal year ending June 30, 2015. This statement will require the recognition of a "net pension liability" on the statement of net position, equal to the unfunded portion of the District's defined benefit pension plan, as defined and calculated in accordance with the new standard. While the exact amount of this liability is not readily determinable at this time, management estimates that it may approximate \$32,471,000. GASB 68 will require the net pension liability to be recorded for the year ending June 30, 2015, by restating beginning net position as of July 1, 2014.



REQUIRED SUPPLEMENTARY INFORMATION

ESCANABA AREA PUBLIC SCHOOLS

Required Supplementary Information

District Defined Benefit Life Insurance Plan

Schedule of Employer Contributions		
Years Ended June 30,	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2009	\$ 42,118	100%
2010	41,061	100%
2011	40,720	100%
2012	39,787	100%
2013	55,919	79%
2014	37,700	114%

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Under- funded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$ -	\$ 541,232	\$ 541,232	-%	\$11,876,595	5%
6/30/2013	-	640,179	640,179	-%	10,680,073	6%
6/30/2014	-	336,777	336,777	-%	N/A	N/A

* A plan this size is not required to be valued each year. Additional years of data will be included in future years as revised valuations are necessary.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

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ESCANABA AREA PUBLIC SCHOOLS

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

General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 3,938,590	\$ 3,894,321	\$ 3,862,663	\$ (31,658)
Local restricted	3,500	8,726	5,442	(3,284)
Other local revenue	440,049	417,695	436,940	19,245
Total local sources	4,382,139	4,320,742	4,305,045	(15,697)
State sources:				
State aid unrestricted	13,301,312	13,706,568	13,783,816	77,248
State aid restricted	2,458,970	2,458,115	2,448,394	(9,721)
Total state sources	15,760,282	16,164,683	16,232,210	67,527
Federal sources	930,536	999,212	904,848	(94,364)
Other sources:				
Other restricted	134,770	75,000	207,393	132,393
Total revenues	21,207,727	21,559,637	21,649,496	89,859
Expenditures				
Instruction:				
Salaries	8,013,260	8,140,257	8,078,867	(61,390)
Fringe benefits	4,998,756	4,965,908	4,905,509	(60,399)
Purchased services	490,280	579,114	447,299	(131,815)
Supplies and capital outlay	572,140	584,626	495,523	(89,103)
Total instruction	14,074,435	14,269,905	13,927,198	(342,707)

Continued...

ESCANABA AREA PUBLIC SCHOOLS

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

General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Continued)				
Support services:				
Instructional support services:				
Salaries	\$ 1,099,073	\$ 1,063,476	\$ 1,035,220	\$ (28,256)
Fringe benefits	678,418	709,436	676,444	(32,992)
Purchased services	117,343	110,404	88,530	(21,874)
Supplies and capital outlay	76,289	114,787	95,158	(19,629)
	<u>1,971,123</u>	<u>1,998,103</u>	<u>1,895,352</u>	<u>(102,751)</u>
Office of the Principal:				
Salaries	695,095	699,474	694,359	(5,115)
Fringe benefits	404,479	401,622	401,042	(580)
Purchased services	1,950	-	63	63
Supplies and capital outlay	133,300	142,060	107,293	(34,767)
	<u>1,234,825</u>	<u>1,243,156</u>	<u>1,202,757</u>	<u>(40,399)</u>
District support services:				
Salaries	365,918	340,343	337,292	(3,051)
Fringe benefits	201,799	192,466	191,933	(533)
Purchased services	395,332	387,238	292,280	(94,958)
Supplies and capital outlay	66,588	66,538	96,860	30,322
	<u>1,029,637</u>	<u>986,585</u>	<u>918,365</u>	<u>(68,220)</u>
Operations and maintenance:				
Salaries	480,774	473,497	474,395	898
Fringe benefits	344,082	331,855	325,820	(6,035)
Purchased services	302,537	332,545	243,638	(88,907)
Supplies and capital outlay	596,935	634,079	555,608	(78,471)
	<u>1,724,328</u>	<u>1,771,976</u>	<u>1,599,461</u>	<u>(172,515)</u>
Pupil transportation:				
Salaries	475,672	498,764	487,014	(11,750)
Fringe benefits	351,002	372,250	393,055	20,805
Purchased services	43,550	52,244	50,158	(2,086)
Supplies and capital outlay	214,320	214,320	197,121	(17,199)
	<u>1,084,544</u>	<u>1,137,578</u>	<u>1,127,348</u>	<u>(10,230)</u>
Total support services	<u>7,044,456</u>	<u>7,137,398</u>	<u>6,743,283</u>	<u>(394,115)</u>

Continued...

ESCANABA AREA PUBLIC SCHOOLS

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

General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Concluded)				
Community services:				
Salaries	\$ 54,825	\$ 46,872	\$ 44,786	\$ (2,086)
Fringe benefits	21,403	17,543	16,734	(809)
Purchased services	1,863	-	-	-
Supplies and capital outlay	59,052	52,366	5,879	(46,487)
Total community services	137,144	116,781	67,399	(49,382)
Debt service:				
Principal	70,000	76,020	69,477	(6,543)
Interest and fiscal charges	37,500	37,500	37,929	429
Total debt service	107,500	113,520	107,406	(6,114)
Total expenditures	21,363,535	21,637,604	20,845,286	(792,318)
Revenues over (under) expenditures	(155,808)	(77,967)	804,210	882,177
Other financing uses				
Transfers out	-	-	(150,000)	(150,000)
Net change in fund balance	(155,808)	(77,967)	654,210	732,177
Fund balance, beginning of year	789,500	789,500	789,500	-
Fund balance, end of year	\$ 633,692	\$ 711,533	\$ 1,443,710	\$ 732,177

Concluded

ESCANABA AREA PUBLIC SCHOOLS

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Fund	Capital Project Funds		Debt Service Fund		Total
	Food Service	2010 Construction	Public Improvement	2001 Debt Retirement	2010 Debt Retirement	
Assets						
Cash and cash equivalents	\$ 4,660	\$ 153	\$ 217,602	\$ 514,619	\$ 502,759	\$ 1,239,793
Investments	-	95,741	-	-	-	95,741
Accounts receivable	95,836	-	-	-	-	95,836
Due from other funds	-	-	-	148	-	148
Inventories	17,317	-	-	-	-	17,317
Total assets	\$ 117,813	\$ 95,894	\$ 217,602	\$ 514,767	\$ 502,759	\$ 1,448,835
Liabilities						
Accounts payable	\$ 45,368	\$ -	\$ -	\$ -	\$ -	\$ 45,368
Due to other funds	-	-	-	-	148	148
Accrued liabilities	21,681	-	-	-	-	21,681
Total liabilities	67,049	-	-	-	148	67,197
Fund balances						
Nonspendable for inventories	17,317	-	-	-	-	17,317
Restricted:						
Debt service	-	-	-	514,767	502,611	1,017,378
Capital projects	-	95,894	-	-	-	95,894
Food service	33,447	-	-	-	-	33,447
Committed for capital projects	-	-	217,602	-	-	217,602
Total fund balances	50,764	95,894	217,602	514,767	502,611	1,381,638
Total liabilities and fund balances	\$ 117,813	\$ 95,894	\$ 217,602	\$ 514,767	\$ 502,759	\$ 1,448,835

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	Special Revenue Fund	Capital Project Funds		Debt Service Funds		Total
	Food Service	2010 Construction	Public Improvement	2001 Debt Retirement	2010 Debt Retirement	
Revenues						
Local sources	\$ 455,039	\$ 28	\$ 36,610	\$ 1,785,931	\$ 1,233,121	\$ 3,510,729
State sources	46,492	-	-	-	-	46,492
Federal sources	606,715	-	-	-	-	606,715
Total revenues	1,108,246	28	36,610	1,785,931	1,233,121	4,163,936
Expenditures						
Current:						
Salaries	327,693	-	-	-	-	327,693
Fringe benefits	192,350	-	-	-	-	192,350
Food services	610,875	-	-	-	-	610,875
Debt service:						
Principal	-	-	34,213	1,250,000	515,000	1,799,213
Interest and fiscal charges	-	-	712	417,909	849,917	1,268,538
Capital outlay	6,688	76,730	548	-	-	83,966
Total expenditures	1,137,606	76,730	35,473	1,667,909	1,364,917	4,282,635
Revenues over (under) expenditures	(29,360)	(76,702)	1,137	118,022	(131,796)	(118,699)
Other financing sources						
Transfers in	-	-	150,000	-	-	150,000
Net changes in fund balances	(29,360)	(76,702)	151,137	118,022	(131,796)	31,301
Fund balances, beginning of year	80,124	172,596	66,465	396,745	634,407	1,350,337
Fund balances, end of year	\$ 50,764	\$ 95,894	\$ 217,602	\$ 514,767	\$ 502,611	\$ 1,381,638

ESCANABA AREA PUBLIC SCHOOLS

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

Food Service Special Revenue Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 481,575	\$ 477,975	\$ 455,039	\$ (22,936)
State sources	42,000	46,500	46,492	(8)
Federal sources	647,000	610,000	606,715	(3,285)
Total revenues	<u>1,170,575</u>	<u>1,134,475</u>	<u>1,108,246</u>	<u>(26,229)</u>
Expenditures				
Current:				
Salaries	344,749	332,055	327,693	(4,362)
Fringe benefits	199,940	194,115	192,350	(1,765)
Food services	677,400	637,300	610,875	(26,425)
Capital outlay	12,300	12,300	6,688	(5,612)
Total expenditures	<u>1,234,389</u>	<u>1,175,770</u>	<u>1,137,606</u>	<u>(38,164)</u>
Change in fund balance	(63,814)	(41,295)	(29,360)	11,935
Fund balance, beginning of year	<u>80,124</u>	<u>80,124</u>	<u>80,124</u>	-
Fund balance, end of year	<u>\$ 16,310</u>	<u>\$ 38,829</u>	<u>\$ 50,764</u>	<u>\$ 11,935</u>

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Net Position

Private Purpose Trust Funds - Scholarships

June 30, 2014

	Scholarship Funds			
	Anna C. Norton	Co-mingled	Special Education	Total
Assets				
Cash and cash equivalents	\$ 36,218	\$ 115,083	\$ (399)	\$ 150,902
Accrued interest	3,498	7,296	-	10,794
Investments - at fair value	1,714,309	3,827,804	25,000	5,567,113
Total assets (equal to net position held in trust for scholarships)	<u>\$ 1,754,025</u>	<u>\$ 3,950,183</u>	<u>\$ 24,601</u>	<u>\$ 5,728,809</u>

ESCANABA AREA PUBLIC SCHOOLS

Combining Statement of Changes in Net Position

Private Purpose Trust Funds - Scholarships

For the Year Ended June 30, 2014

	Scholarship Funds			
	Anna C. Norton	Co-mingled	Special Education	Total
Additions				
Contributions	\$ -	\$ 497,223	\$ -	\$ 497,223
Investment income:				
Net increase in fair value of investments	104,465	291,649	-	396,114
Interest and dividends	49,316	95,778	147	145,241
Gain on sale of investments	53,294	51,965	-	105,259
Net investment income	207,075	439,392	147	646,614
Total additions	207,075	936,615	147	1,143,837
Deductions				
Scholarships and trophies	43,250	185,465	7,172	235,887
Trustee fees	9,910	21,204	-	31,114
Total deductions	53,160	206,669	7,172	267,001
Change in net position	153,915	729,946	(7,025)	876,836
Net position, beginning of year	1,600,110	3,220,237	31,626	4,851,973
Net position, end of year	\$ 1,754,025	\$ 3,950,183	\$ 24,601	\$ 5,728,809

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Changes in Net Position
 Co-mingled Scholarships Fund
 For the Year Ended June 30, 2014

	Net Position July 1, 2013	Additions				Total Additions
		Contributions	Interest and Dividends	Gain on sale of Investments	Increase in Fair Value of Investments	
Adamini, Peter Memorial	\$ 10,177	\$ -	\$ 319	\$ 174	\$ 976	\$ 1,469
Aronson, Arthur V. and Elin C.	89,270	11,000	2,802	1,525	8,557	23,884
Beauchamp, Grace Huston	14,381	-	451	246	1,379	2,076
Beck, Conrad D.	8,232	-	258	141	789	1,188
Bennets, Jeanee	12,348	-	388	211	1,184	1,783
Berhow, Rona Rae Memorial	-	1,000	-	-	-	1,000
Berndt, Sherry	41,787	-	1,312	714	4,006	6,032
Besse, John and Patricia, and Abrahamson(s)	-	220,000	-	-	-	220,000
Bero, Willard and Joyce	52,121	-	1,636	890	4,996	7,522
Bisdee, Jody	-	2,000	-	-	-	2,000
Bonifas, Catherine	110,366	-	3,465	1,885	10,580	15,930
Bosk, Robert & Olga	46,741	-	1,467	798	4,481	6,746
Chernick, John Memorial	2,518	-	79	43	241	363
Class of 1963	-	1,500	-	-	-	1,500
Class of 1959	15,745	625	500	272	1,526	2,923
Cohodas, Sam M.	8,807	-	276	150	844	1,270
Coplan Family Music	42,404	-	1,331	724	4,065	6,120
Coplan, BA Memorial	-	6,742	-	-	-	6,742
Cvengros, Jerry Memorial	-	4,125	-	-	-	4,125
Cunningham Family	8,848	-	278	151	848	1,277
Derouin, Dean	2,700	-	85	46	259	390
Diedrich, Louis	13,572	-	426	232	1,301	1,959
Dufour, Susan C. and Thomas D.	6,963	-	219	119	667	1,005
Edick, Edward E.	10,725	-	337	183	1,028	1,548
Escanaba Educational Trust	12,082	2,853	394	214	1,203	4,664
Fernstrom, Esther	9,052	-	284	155	868	1,307
Ferrari, Joan Hesse	9,587	250	301	164	919	1,634
Fontaine, Sally Stack	-	300	-	-	-	300
Fleming, Lawrence and Nina	15,445	-	485	264	1,481	2,230
Freidhoff, Steve Memorial	1,782	26	56	30	171	283
Gasman, John T. Memorial	1,128	-	35	19	108	162
Gessner, Charles H. Family	82,401	-	2,587	1,407	7,899	11,893
Gordon, Dr. E. James	123,366	137,431	3,873	2,107	11,826	155,237
Grab, George	29,327	-	921	501	2,811	4,233
Hansen, John Wesley Memorial	14,926	-	469	255	1,431	2,155
Johnson, Bradley D.	62,900	-	1,975	1,074	6,030	9,079
Karkkainen, Melvin	2,297	1,000	95	52	291	1,438
Kirsten, Herbert and Irene	15,445	-	485	264	1,481	2,230
Klemmetsen, Magda and Peder and	287,619	-	9,029	4,912	27,571	41,512
Koontz, John D. and Barbara Memorial	4,053	-	127	69	389	585
LaFave, Olive C.	31,003	-	973	530	2,972	4,475
Lemerand, Clarence and Della	359,696	-	11,291	6,144	34,480	51,915
Lindstrom, James	4,103	-	129	70	393	592
Louis, Frank B. and Mamie A.	137,231	-	4,308	2,344	13,155	19,807
McCotter, Delores	1,736	-	54	30	166	250
McDermott, Thomas Memorial	43,703	2,875	1,394	759	4,257	9,285
McKie, Donald	26,418	-	829	451	2,532	3,812
McInerney, Dr. Thomas and Dr. Edna	64,850	-	2,036	1,108	6,216	9,360
Micensky, Robert	2,960	-	93	51	284	428

Deductions		Total Deductions	Change in Net Position	Net Position June 30, 2014	Accumulated Contributions to Fund	Remaining Balance
Scholarships and Trophies	Professional Fees					
\$ 350	\$ 71	\$ 421	\$ 1,048	\$ 11,225	\$ 8,510	\$ 2,715
3,150	622	3,772	20,112	109,382	80,325	29,057
550	100	650	1,426	15,807	10,000	5,807
300	57	357	831	9,063	4,040	5,023
450	86	536	1,247	13,595	11,898	1,697
-	-	-	1,000	1,000	1,000	-
1,500	291	1,791	4,241	46,028	31,376	14,652
-	-	-	220,000	220,000	220,000	-
1,000	363	1,363	6,159	58,280	40,000	18,280
2,000	-	2,000	-	-	2,000	(2,000)
6,250	769	7,019	8,911	119,277	50,000	69,277
1,600	326	1,926	4,820	51,561	39,500	12,061
100	18	118	245	2,763	2,200	563
-	-	-	1,500	1,500	1,500	-
500	111	611	2,312	18,057	14,219	3,838
325	61	386	884	9,691	5,186	4,505
1,600	296	1,896	4,224	46,628	25,000	21,628
-	-	-	6,742	6,742	6,742	-
-	-	-	4,125	4,125	4,125	-
-	62	62	1,215	10,063	6,100	3,963
100	19	119	271	2,971	1,104	1,867
500	95	595	1,364	14,936	11,400	3,536
-	49	49	956	7,919	5,170	2,749
400	75	475	1,073	11,798	5,507	6,291
350	87	437	4,227	16,309	11,603	4,706
350	63	413	894	9,946	4,226	5,720
350	67	417	1,217	10,804	7,445	3,359
-	-	-	300	300	300	-
600	108	708	1,522	16,967	10,000	6,967
100	12	112	171	1,953	1,941	12
-	8	8	154	1,282	1,115	167
2,500	574	3,074	8,819	91,220	64,963	26,257
4,500	860	5,360	149,877	273,243	218,131	55,112
1,100	204	1,304	2,929	32,256	20,000	12,256
550	104	654	1,501	16,427	11,250	5,177
1,650	438	2,088	6,991	69,891	48,803	21,088
1,000	21	1,021	417	2,714	5,000	(2,286)
-	108	108	2,122	17,567	10,000	7,567
6,200	2,005	8,205	33,307	320,926	232,350	88,576
150	28	178	407	4,460	1,455	3,005
1,200	216	1,416	3,059	34,062	20,000	14,062
12,758	2,507	15,265	36,650	396,346	300,741	95,605
342	29	371	221	4,324	4,100	224
4,250	956	5,206	14,601	151,832	89,945	61,887
100	12	112	138	1,874	1,500	374
1,000	310	1,310	7,975	51,678	44,670	7,008
1,000	184	1,184	2,628	29,046	24,176	4,870
2,400	452	2,852	6,508	71,358	50,000	21,358
100	21	121	307	3,267	2,470	797

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Changes in Net Position
 Co-mingled Scholarships Fund
 For the Year Ended June 30, 2014

	Net Position July 1, 2013	Additions				Total Additions
		Contributions	Interest and Dividends	Gain on sale of Investments	Increase in Fair Value of Investments	
Milkiewicz, Kim Ann	\$ 11,506	\$ -	\$ 361	\$ 197	\$ 1,103	\$ 1,661
Milkiewicz, Stephen M.	4,964	-	156	85	476	717
Molin, Jack and Class of 1944	29,835	960	942	512	2,875	5,289
Mroczkowski, Dale/Fritolay	-	2,293	-	-	-	2,293
Nordberg, Carl A.	16,183	20	508	276	1,552	2,356
O'Donnell, Anne C.	29,001	-	910	495	2,780	4,185
Olson, Joanne Taylor	12,476	-	392	213	1,196	1,801
Owen, Robert A. and Ruth	32,236	-	1,012	551	3,090	4,653
Owens, Georgia Gibbs/Irwin and Marge Gibbs	224,287	-	7,041	3,831	21,500	32,372
Peterson, Ken	1,919	-	60	33	184	277
Pfotenhauer/Gessner	12,927	-	406	221	1,239	1,866
Puckelwartz, William H.	29,218	-	917	499	2,801	4,217
Reade, H.W.	22,945	-	720	392	2,199	3,311
Ruwitch, George	34,164	90	1,073	584	3,277	5,024
Saykly, Josephine	10,768	-	338	184	1,032	1,554
Schram, Dick Memorial	13,279	-	417	227	1,273	1,917
St. Louis, Maria, George and Stanley	344,058	-	10,799	5,872	32,978	49,649
St. Pierre	3,793	-	119	65	363	547
Stein, Danile	47,016	-	1,476	803	4,507	6,786
Taylor, Al Family	120,730	-	3,790	2,062	11,573	17,425
Taylor, Francis and Nancy	120,941	-	3,797	2,066	11,593	17,456
Taylor, Naomi Memorial	34,174	-	1,073	584	3,276	4,933
Timmer, Gene	3,462	-	109	59	332	500
VanEffen, William J.	7,236	-	227	124	694	1,045
Wickstrom, Carl	4,039	-	127	69	387	583
Wylie, Henry	3,902	-	122	67	374	563
Young, A.J.	24,349	-	764	416	2,334	3,514
	<u>3,040,223</u>	<u>395,090</u>	<u>95,508</u>	<u>51,965</u>	<u>291,649</u>	<u>834,212</u>
Cash accounts						
Addison, Ruth	3,400	4,168	-	-	-	4,168
Felton, Oliver Memorial	7,027	6,123	-	-	-	6,123
Henslee, Forrest and Mary	19,992	2,025	270	-	-	2,295
Hirn, Robert & Elva	122,556	57,987	-	-	-	57,987
Kintziger, Louis J.	5,204	7,229	-	-	-	7,229
Maki, Arnie & Violet	7,642	9,726	-	-	-	9,726
Pearson, Harold R. and Mary Noyes	(4,933)	-	-	-	-	-
Sackerson, Edward J.	12,812	5,000	-	-	-	5,000
Miscellaneous contributions	6,314	9,875	-	-	-	9,875
	<u>180,014</u>	<u>102,133</u>	<u>270</u>	<u>-</u>	<u>-</u>	<u>102,403</u>
Total	<u>\$ 3,220,237</u>	<u>\$ 497,223</u>	<u>\$ 95,778</u>	<u>\$ 51,965</u>	<u>\$ 291,649</u>	<u>\$ 936,615</u>

Deductions		Total Deductions	Change in Net Position	Net Position June 30, 2014	Accumulated Contributions to Fund	Remaining Balance
Scholarships and Trophies	Professional Fees					
\$ 450	\$ 80	\$ 530	\$ 1,131	\$ 12,637	\$ 2,600	\$ 10,037
200	35	235	482	5,446	8,500	(3,054)
1,100	209	1,309	3,980	33,815	23,289	10,526
1,000	-	1,000	1,293	1,293	2,293	(1,000)
600	113	713	1,643	17,826	11,537	6,289
1,100	202	1,302	2,883	31,884	21,005	10,879
500	87	587	1,214	13,690	10,000	3,690
1,200	225	1,425	3,228	35,464	25,000	10,464
8,019	1,563	9,582	22,790	247,077	153,755	93,322
100	13	113	164	2,083	1,500	583
829	90	919	947	13,874	10,000	3,874
1,000	204	1,204	3,013	32,231	12,962	19,269
900	160	1,060	2,251	25,196	10,150	15,046
1,300	238	1,538	3,486	37,650	28,096	9,554
-	75	75	1,479	12,247	10,000	2,247
500	93	593	1,324	14,603	10,090	4,513
10,400	2,397	12,797	36,852	380,910	234,975	145,935
-	26	26	521	4,314	3,361	953
2,550	328	2,878	3,908	50,924	35,000	15,924
2,633	841	3,474	13,951	134,681	100,000	34,681
2,633	843	3,476	13,980	134,921	100,000	34,921
1,300	238	1,538	3,395	37,569	25,000	12,569
203	24	227	273	3,735	2,814	921
275	50	325	720	7,956	5,000	2,956
2,550	28	2,578	(1,995)	2,044	7,180	(5,136)
150	27	177	386	4,288	2,708	1,580
900	170	1,070	2,444	26,793	9,900	16,893
<u>105,617</u>	<u>21,204</u>	<u>126,821</u>	<u>707,391</u>	<u>3,747,614</u>	<u>2,639,801</u>	<u>1,107,813</u>
-	-	-	4,168	7,568	4,168	3,400
6,161	-	6,161	(38)	6,989	6,123	866
435	-	435	1,860	21,852	21,391	461
38,725	-	38,725	19,262	141,818	57,987	83,831
4,650	-	4,650	2,579	7,783	7,229	554
9,000	-	9,000	726	8,368	9,726	(1,358)
3,500	-	3,500	(3,500)	(8,433)	-	(8,433)
5,000	-	5,000	-	12,812	5,000	7,812
12,377	-	12,377	(2,502)	3,812	9,875	(6,063)
<u>79,848</u>	<u>-</u>	<u>79,848</u>	<u>22,555</u>	<u>202,569</u>	<u>121,499</u>	<u>81,070</u>
<u>\$ 185,465</u>	<u>\$ 21,204</u>	<u>\$ 206,669</u>	<u>\$ 729,946</u>	<u>\$ 3,950,183</u>	<u>\$ 2,761,300</u>	<u>\$ 1,188,883</u>

Concluded

ESCANABA AREA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Assets				
Cash and cash equivalents	\$ 114,605	\$ 407,905	\$ 406,550	\$ 115,960
Liabilities				
Accounts payable	\$ 3,952	\$ -	\$ 1,434	\$ 2,518
Due to student activities	110,653	407,905	405,116	113,442
Total liabilities	\$ 114,605	\$ 407,905	\$ 406,550	\$ 115,960
The balances due to student activities consist of the following:				
Upper Elementary				
Interest	\$ 138	\$ 35	\$ -	\$ 173
Parents as partners	97	-	-	97
Library fund	3,015	5,038	5,985	2,068
Music fund - band	(200)	-	-	(200)
Pop fund	2,216	2,271	4,221	266
Working account	732	1,906	2,215	423
Student council	1,316	200	1,485	31
4th grade	-	14,566	11,217	3,349
5th grade	-	1,561	1,163	398
Mid School 6-1	4	10,959	10,816	147
Mid School special ed	124	-	-	124
Mid School 6-2	81	-	81	-
Drama	882	3,940	4,400	422
Total Upper Elementary	8,405	40,476	41,583	7,298
Elementary	7,188	2,376	2,552	7,012
Senior High Activities				
Publications	6,384	3,258	2,673	6,969
Activities	388	5,459	5,246	601
Prior Classes	10,924	16,071	17,746	9,249
Music	18,299	68,356	68,445	18,210
Clubs	17,599	36,568	34,819	19,348
General	10,504	106,385	96,353	20,536
Concessions	1,368	31,685	33,374	(321)
Total Senior High Activities	65,466	267,782	258,656	74,592

Continued...

ESCANABA AREA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Athletic Camps				
Boys basketball	\$ 4,119	\$ 7,795	\$ 9,487	\$ 2,427
Cheerleading	432	7,314	7,019	727
Cross country	2,615	942	2,137	1,420
Football	1,220	23,111	19,510	4,821
Girls basketball	2,090	1,957	3,891	156
Golf	-	12,687	12,639	48
Gymnastics	1,272	296	1,568	-
Boy's tennis	988	3,450	4,289	149
Girl's tennis	386	-	273	113
Track	(17)	3,345	3,248	80
Volleyball	984	-	728	256
Wrestling	799	426	572	653
Baseball	500	-	-	500
Girls softball	419	5,325	4,215	1,529
Total Athletic Camps	15,807	66,648	69,576	12,879
Junior High Activities				
Interest	3	-	-	3
Student council	346	943	745	544
Challenge day	4,169	40	198	4,011
Yearbook	-	2,661	1,570	1,091
Working account	331	2,038	2,297	72
Builders club	1,696	4,741	5,023	1,414
7th grade 7-1	63	103	-	166
7th grade 7-2	85	-	85	-
8th grade 8-1	85	301	-	386
8th grade 8-2	345	-	345	-
Concession	1,753	2,592	3,742	603
Band	6,482	17,204	18,744	4,942
Robotics	(1,571)	-	-	(1,571)
Total Junior High Activities	13,787	30,623	32,749	11,661
Total	\$ 110,653	\$ 407,905	\$ 405,116	\$ 113,442

Concluded

OTHER INFORMATION (UNAUDITED)

ESCANABA AREA PUBLIC SCHOOLS

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

For the Year Ended June 30, 2014

	Taxable Valuation	Per \$1,000 Valuation	Tax Levy
General Fund			
(on non-homestead taxable valuation only)			
City of Escanaba	\$154,306,624	6-18 mills	\$ 2,585,676
Wells Township (Delta County)	45,251,486	6-18 mills	784,552
Ford River Township	18,202,250	6-18 mills	324,497
Cornell Township	8,445,843	6-18 mills	151,789
Wells Township (Marquette County)	<u>1,347,059</u>	6-18 mills	<u>24,221</u>
Total General Fund	<u>\$227,553,262</u>	6-18 mills	<u>\$ 3,870,735</u>
2010 Debt Retirement Fund			
(on total taxable valuation)			
City of Escanaba	\$303,581,436	1.94 mills	\$ 588,948
Wells Township (Delta County)	233,414,898	1.94 mills	452,825
Ford River Township	62,778,422	1.94 mills	121,790
Cornell Township	21,146,023	1.94 mills	41,023
Wells Township (Marquette County)	<u>1,756,948</u>	1.94 mills	<u>3,408</u>
Total 2010 Debt Retirement Fund	<u>\$622,677,727</u>	1.94 mills	<u>\$ 1,207,995</u>
2001 Debt Retirement Fund			
(on total taxable valuation)			
City of Escanaba	\$303,581,436	2.81 mills	\$ 853,064
Wells Township (Delta County)	233,414,898	2.81 mills	655,896
Ford River Township	62,778,422	2.81 mills	176,407
Cornell Township	21,146,023	2.81 mills	59,420
Wells Township (Marquette County)	<u>1,756,948</u>	2.81 mills	<u>4,937</u>
Total 2001 Debt Retirement Fund	<u>\$622,677,727</u>	2.81 mills	<u>\$ 1,749,724</u>

SINGLE AUDIT ACT COMPLIANCE

Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

October 10, 2014

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Escanaba Area Public Schools* (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 10, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



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ESCANABA AREA PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
Cash assistance:				
National school lunch - breakfast	10.553	MDE	131970	\$ 99,322
National school lunch - breakfast	10.553	MDE	141970	78,292
National school lunch program all lunches	10.555	MDE	131960	529,220
National school lunch program all lunches	10.555	MDE	141960	407,794
Summer food service program	10.559	MDE	140900	2,224
Non-cash assistance:				
Entitlement commodities	10.555	MDE	n/a	54,011
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I, Part A Cluster:				
Title I, Part A - Improving Basic Programs	84.010	MDE	131530-1213	755,260
Title I, Part A - Improving Basic Programs	84.010	MDE	141530-1314	654,397
Title I, Part A - Improving Basic Programs	84.010	GLAS	141530-1314	1,984
Indian Education 12/13	84.060A	Direct	N/A	40,709
Indian Education 13/14	84.060A	Direct	N/A	38,556
Title II, Part A - Improving Teacher Quality	84.367	MDE	130520-1213	291,320
Title II, Part A - Improving Teacher Quality	84.367	MDE	140520-1314	306,642
Total U.S. Department of Education				
Total Expenditures of Federal Awards				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2013	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2014	Accrued (Unearned) Revenue June 30, 2014
\$ 1,889	\$ 10,122	\$ 91,089	\$ 8,233	\$ -
-	63,305	-	78,292	14,987
8,863	66,124	471,959	57,261	-
-	335,328	-	406,694	71,366
-	-	-	2,224	2,224
<u>10,752</u>	<u>474,879</u>	<u>563,048</u>	<u>552,704</u>	<u>88,577</u>
-	54,011	-	54,011	-
<u>10,752</u>	<u>528,890</u>	<u>563,048</u>	<u>606,715</u>	<u>88,577</u>
100,228	100,228	685,032	-	-
-	553,570	-	619,903	66,333
-	1,984	-	1,984	-
<u>100,228</u>	<u>655,782</u>	<u>685,032</u>	<u>621,887</u>	<u>66,333</u>
30	30	40,709	-	-
-	38,556	-	38,556	-
<u>30</u>	<u>38,586</u>	<u>40,709</u>	<u>38,556</u>	<u>-</u>
28,361	28,361	170,471	-	-
-	189,244	-	244,405	55,161
<u>28,361</u>	<u>217,605</u>	<u>170,471</u>	<u>244,405</u>	<u>55,161</u>
<u>128,619</u>	<u>911,973</u>	<u>896,212</u>	<u>904,848</u>	<u>121,494</u>
<u>\$ 139,371</u>	<u>\$ 1,440,863</u>	<u>\$ 1,459,260</u>	<u>\$ 1,511,563</u>	<u>\$ 210,071</u>

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

RECONCILIATION TO GRANT SECTION AUDITORS' REPORT

Current payments per the Grant Auditor Report	\$ 1,424,074
Less:	
Change in Child Nutrition Cluster accounts receivable	(77,825)
Plus:	
2012/2013 adjustments to Child Nutrition Cluster	1,134
2013/2014 adjustments to Child Nutrition Cluster	(1,101)
Title I amounts passed through Gladstone	1,984
Entitlement commodities	54,011
Direct award from Department of Education	<u>38,586</u>
Total current year receipts per schedule of expenditures of federal awards	<u>\$ 1,440,863</u>

RECONCILIATION TO FINANCIAL STATEMENTS

Federal revenue per financial statements equals current year expenditures per the schedule of expenditures of federal awards	<u>\$ 1,511,563</u>
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Concluded

ESCANABA AREA PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Escanaba Area Public Schools (the "District") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities. Spoilage and pilferage are included in expenditure amounts reported.

3. PASS-THROUGH AGENCIES

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

Pass-through Agency Abbreviation	Pass-through Agency Name
GLAS	Gladstone Area Public School District
MDE	Michigan Department of Education



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Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

October 10, 2014

Board of Education
Escanaba Area Public Schools
Escanaba, MI

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 the *Escanaba Area Public Schools* (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questions costs as items 2014-FS-1 and 2014-FS-2 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The responses were not subjected to the auditing procedure applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Rehmann Lobson LLC

**Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by OMB Circular A-133**

October 10, 2014

Board of Education
Escanaba Area Public Schools
Escanaba, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *Escanaba Area Public Schools* (the "District") 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 the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditors' 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's 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; 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 the District's 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 the major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs 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 the District's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Purpose of this Report

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

Rehmann Johnson LLC

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? yes X no

Identification of a major program:

CFDA Number

10.553, 10.555 & 10.559
84.010

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A - Improving Basic Programs

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

yes X no

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2014-FS-1: Management is unable to produce financial statements in accordance with accounting principles generally accepted in the United States of America.

Finding type: Material weakness in internal control over financial reporting

Criteria: All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the District's management. The preparation of the financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing account data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the District has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the District's internal controls.

Cause: This condition was caused by the District's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the District to perform this task internally.

Effect: As a result of this condition, the District lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation: When feasible, the District should consider training internal accounting personnel to prepare the financial statements.

District's Response: The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and while the staff has training and experience to complete the financial statements it has been determined that the accounting personnel do not have the time to write the financial statements and the footnotes in accordance with accounting principles generally accepted in the United States of America. To complete the financial statements within the department would be time and cost prohibitive.

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

- Finding 2014-FS-2:** Recording, processing and summarizing data.
- Finding type:** Material weakness in internal control over financial reporting
- Criteria:** All governmental units are required to have in place internal controls over recording, processing, and summarizing accounting data (i.e., maintaining internal books and records).
- Condition:** As is the case with many smaller and medium-sized entities, the District has historically relied on its independent external auditors to assist in the recording, processing and summarizing of certain accounting data as part of its external financial reporting process. Accordingly, the District has placed reliance on its external auditors, who cannot by definition be considered a part of the District's internal controls.
- Cause:** This condition was caused by the District's decision that it is more cost effective to have the external auditors recommend the necessary adjusting journal entries to its general ledger than to incur the time and expense of obtaining the necessary training and expertise required for the District to perform this task internally.
- Effect:** As a result of this condition, the District lacks internal controls over the recording, processing, and summarizing of accounting data, and instead relies, in part, on its external auditors for assistance with this task. Additionally, the District's financial statements were initially misstated by amounts that were material to the financial statements under audit.
- Recommendation:** The District should record all journal entries necessary to arrive at a reasonably adjusted trial balance prior to generating trial balances to be used for preparation of year-end financial statements.
- District's Response:** The District will continue its efforts to record all known adjustments in order to provide a reasonably adjusted trial balance for the purposes of the audit.

ESCANABA AREA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

ESCANABA AREA PUBLIC SCHOOLS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2014

Finding 2013-SA-1 - Internal Controls over Eligibility

The District provided free and reduced meals to certain students who did not qualify to receive this benefit, or for which appropriate documentation of eligibility was not available. This finding was corrected.

Finding 2013-FS-1 - Management is unable to produce financial statements in accordance with accounting principles generally accepted in the United States of America.

This is a repeat finding in the current year, see finding 2014-FS-1.

Finding 2013-FS-2 - Recording, processing and summarizing data.

This is a repeat finding in the current year, see finding 2014-FS-2.