

# **Clarenceville School District of Oakland and Wayne Counties**

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**Financial Report  
with Supplemental Information  
June 30, 2016**

# Clarenceville School District of Oakland and Wayne Counties

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## Independent Auditor's Report

To the Board of Directors  
Clarenceville School District of Oakland  
and Wayne Counties

### **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 Clarenceville School District of Oakland and Wayne Counties (the "School District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

To the Board of Directors  
Clarenceville School District of Oakland  
and Wayne Counties

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2016, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension system schedules of funding progress and employer contributions, and the major fund budgetary comparison schedule as identified 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 supplemental 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 School District's basic financial statements. The other supplemental information, as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

To the Board of Directors  
Clarenceville School District of Oakland  
and Wayne Counties

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 School District's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

September 30, 2016

# **Clarenceville School District of Oakland and Wayne Counties**

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## **Management's Discussion and Analysis**

This section of Clarenceville School District of Oakland and Wayne Counties' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2016. Please read it in conjunction with the School 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 Clarenceville School District of Oakland and Wayne Counties financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund and Capital Projects Sinking Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net position and the statement of changes in fiduciary net position, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

In summary, the report includes:

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

#### **Basic Financial Statements**

Government-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for the General Fund

Schedule of Proportionate Share of Net Pension Liability

Schedule of Contributions

Other Supplemental Information

### ***Reporting the School District as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question.

# Clarenceville School District of Oakland and Wayne Counties

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## Management's Discussion and Analysis (Continued)

We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets and deferred outflows and liabilities and deferred inflows, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

### ***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes other funds to help it control and manage money for particular purposes (the Food Services and Community Services Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as the Sinking Fund used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

- **Governmental Funds** - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

# Clarenceville School District of Oakland and Wayne Counties

## Management's Discussion and Analysis (Continued)

### *The School District as Trustee - Reporting the School District's Fiduciary Responsibilities*

The School District is the trustee, or fiduciary, for its student activity funds and private purpose trust funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2016 and 2015:

TABLE I

	Governmental Activities	
	June 30	
	2016	2015
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 8.7	\$ 6.9
Capital assets	13.2	14.8
Total assets	21.9	21.7
<b>Deferred Outflows of Resources</b>	3.3	1.9
Total assets and deferred outflow of resources	25.2	23.6
<b>Liabilities</b>		
Current liabilities	3.4	3.2
Long-term liabilities	32.1	29.1
Total liabilities	35.5	32.3
<b>Deferred Inflows of Resources</b>	1.0	2.1
Total liabilities and deferred inflows of resources	36.5	34.4
<b>Net Position</b>		
Net investment in capital assets	13.2	14.8
Restricted	1.8	0.8
Unrestricted	(26.3)	(26.4)
Total net position (deficit)	\$ (11.3)	\$ (10.8)



# Clarenceville School District of Oakland and Wayne Counties

## Management's Discussion and Analysis (Continued)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net deficit is (\$11.3) million at June 30, 2016. Net investment in capital assets totaling \$13.2 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net position of \$1.8 million is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net assets (\$26.3 million) was unrestricted.

The \$26.3 million in unrestricted deficit in net position of governmental activities represents the accumulated results of all past years' operations and reflect the adoption of GASB 68.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years June 30, 2016 and 2015.

TABLE 2

	Governmental Activities	
	2016	2015
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.7	\$ 0.7
Federal grants and entitlements	1.3	1.3
State categoricals	2.2	1.9
Operating grants	1.6	1.3
General revenue:		
Property taxes	3.5	3.3
State foundation allowance	12.2	13.4
Other	0.1	0.1
Total revenue	21.6	22.0

# Clarenceville School District of Oakland and Wayne Counties

## Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	2016	2015
	(in millions)	
<b>Functions/Program Expenses</b>		
Instruction	\$ 12.7	\$ 13.1
Support services	6.4	6.4
Athletics	0.3	0.3
Food services	0.7	0.7
Community services	0.3	0.3
Depreciaton (unallocated)	1.7	1.1
Total functions/program expenses	22.1	21.9
<b>Change in Net Position</b>	(0.5)	0.1
<b>Net Positon</b> - Beginning of year	(10.8)	(10.9)
<b>Net Position</b> - End of year	<u>\$ (11.3)</u>	<u>\$ (10.8)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was approximately \$22.1 million. Certain activities were partially funded from those who benefited from the programs (approximately \$700,000) or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$5.1 million). We paid for the remaining "public benefit" portion of our governmental activities with approximately \$3.5 million in taxes, \$12.2 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

The School District experienced a decrease net position of approximately \$500,000. Key reasons for the change in net position were the ongoing operations as well as activity in the Sinking Fund.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

# **Clarenceville School District of Oakland and Wayne Counties**

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## **Management's Discussion and Analysis (Continued)**

### **The School District's Funds**

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$5.3 million, which is an increase of approximately \$1,600,000 from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased approximately \$300,000 to \$2.7 million. The General Fund's fund balance is available to fund costs related to allowable school operating purposes.

In May 2016, the community supported a ballot proposal to renew the School District's Sinking Fund for 10 Years. Fund balance increased approximately \$1,200,000 during the year as projects undertaken the year were limited pending results of the May election.

Within our special revenue funds, the Food Services Fund balance increased \$19,000 while the Community Services Fund increased \$87,000.

The fund balance in the Capital Projects Fund increased \$69,000 during the year.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

The actual revenue was approximately \$46,000 more than the final budget. Federal revenue was less than the final budget as federally funded program expenditures were under budget for the current year by approximately \$81,000. This amount was offset by an increase in Local and Interdistrict sources.

# Clarenceville School District of Oakland and Wayne Counties

## Management's Discussion and Analysis (Continued)

The actual expenditures and other financing uses were approximately \$496,000 below budget. The main reasons are as follows:

- An approximate \$260,000 is spread across all district salary and fringe benefit accounts.
- Many departmental supply and purchase services accounts were unspent with balances remaining at year end of approximately \$155,000.
- The balance is spread amongst various accounts including payments to other schools, abated taxes, capital outlay, etc.

### Capital Assets and Debt Administration

#### **Capital Assets**

As of June 30, 2016, the School District had approximately \$30.7 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents an increase in cost basis of approximately \$0.1 million from last year.

	2016	2015
Land	\$ 1,106,646	\$ 1,106,646
Buildings and building improvements	23,031,750	22,957,792
Buses and other vehicles	731,243	731,243
Furniture and equipment	5,844,878	5,844,878
Total capital assets	30,714,517	30,640,559
Less accumulated depreciation	17,507,360	15,791,347
Net capital assets	<u>\$ 13,207,157</u>	<u>\$ 14,849,212</u>

The School District limited summer construction for the 2015-16 year to see if the May 2016 Sinking Fund ballot proposal would be supported by the community.

#### **Debt**

The School District had no bonded debt outstanding as of June 30, 2016 and 2015.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

# **Clarenceville School District of Oakland and Wayne Counties**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration considered many factors when setting the School District's 2016 fiscal year budget. On the revenue side, the two most important factors affecting the budget are student count and foundation allowance.

Student count is important because the School District receives funding based on the number of students attending (blended count). The formula to determine the blended student enrollment for the 2016 fiscal year was anticipated to be 90 and 10 percent of October 2016 and February 2016 enrollment, respectively. Based on early enrollment data, we anticipate that the fall student count will be in line with the estimate used in creating the 2016-17 budget.

The state foundation allowance is the amount the School District receives for each student. The amount is set by the State each year. For 2016-2017, the School District is assuming that it will receive an increase of \$60 in the state foundation allowance to \$8,229.

The basic foundation allowance revenue for which the School District budgets is calculated by taking the projected blended enrollment number times the foundation allowance that the School District receives for each student. This amount represents approximately 65 percent of total General Fund revenue. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, the School District's funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per-pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to school districts. During the course of the year, the State periodically holds a revenue-estimating conference to develop a consensus regarding expected revenue amounts. Based on the results of the most recent conference, the State estimates funds will be sufficient to fund the appropriation. However, if actual state revenue is less than the estimates, reductions to per-pupil funding may be necessary.

# Clarenceville School District of Oakland and Wayne Counties

## Statement of Net Position June 30, 2016

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 4,771,556
Receivables (Note 4)	3,183,129
Inventories	5,485
Prepaid costs and other assets	62,772
Restricted assets (Note 3)	631,932
Capital assets - Net (Note 5)	13,207,157
Total assets	21,862,031
<b>Deferred Outflows of Resources</b> - Deferred outflows related to pensions (Note 9)	3,317,904
Total assets and deferred outflows of resources	25,179,935
<b>Liabilities</b>	
Accounts payable	522,958
Accrued payroll-related liabilities:	
Salaries payable	1,494,874
Payroll-related liabilities	664,600
Due to other governmental units	225,329
Unearned revenue (Note 4)	407,192
Noncurrent liabilities (Note 7):	
Due within one year	68,078
Due in more than one year	457,656
Net pension liability (Note 9)	31,648,140
Total liabilities	35,488,827
<b>Deferred Inflows of Resources</b> - Deferred inflows related to pension and revenue in support of pension contributions made subsequent to measurement date	1,012,300
Total liabilities and deferred inflows of resources	36,501,127
<b>Net Position</b>	
Net investment in capital assets	13,207,157
Restricted - Capital projects	1,754,253
Unrestricted	(26,282,602)
Total net position	<u>\$ (11,321,192)</u>

# Clarenceville School District of Oakland and Wayne Counties

## Statement of Activities Year Ended June 30, 2016

	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 12,728,516	\$ 2,855	\$ 2,993,518	\$ (9,732,143)
Support services	6,335,062	46,722	1,552,661	(4,735,679)
Athletics	331,665	61,487	21,164	(249,014)
Food services	674,168	171,953	567,731	65,516
Community services	344,951	425,347	-	80,396
Depreciation expense (unallocated)	1,716,013	-	-	(1,716,013)
Total primary government	<u>\$ 22,130,375</u>	<u>\$ 708,364</u>	<u>\$ 5,135,074</u>	(16,286,937)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				2,217,579
Property taxes, levied for sinking fund				1,257,411
State aid not restricted to specific purposes				12,175,701
Interest and investment earnings				14,301
Other				77,425
Total general revenue				<u>15,742,417</u>
<b>Change in Net Position</b>				(544,520)
<b>Net Position - Beginning of year</b>				<u>(10,776,672)</u>
<b>Net Position - End of year</b>				<u><b>\$ (11,321,192)</b></u>

# Clarenceville School District of Oakland and Wayne Counties

## Governmental Funds Balance Sheet June 30, 2016

	General Fund	Sinking Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 3)	\$ 4,204,661	\$ -	\$ 566,895	\$ 4,771,556
Receivables - Net (Note 4)	3,052,518	6,566	124,045	3,183,129
Due from other funds (Note 6)	4,229	1,115,755	235,926	1,355,910
Inventories	-	-	5,485	5,485
Prepaid costs	62,257	-	515	62,772
Restricted cash and investments (Note 3)	-	631,932	-	631,932
Total assets	<u>\$ 7,323,665</u>	<u>\$ 1,754,253</u>	<u>\$ 932,866</u>	<u>\$ 10,010,784</u>
<b>Liabilities, Fund Balances, and Deferred Inflows of Resources</b>				
<b>Liabilities</b>				
Accounts payable	\$ 499,510	\$ -	\$ 27,677	\$ 527,187
Accrued payroll-related liabilities	2,124,960	-	34,514	2,159,474
Due to other governmental units	225,329	-	-	225,329
Unearned revenue (Note 4)	404,257	-	2,935	407,192
Due to other funds (Note 6)	1,351,681	-	-	1,351,681
Total liabilities	4,605,737	-	65,126	4,670,863
Deferred Inflows of Resources - Unavailable revenue (Note 4)	9,255	-	-	9,255
Total liabilities and deferred inflows of resources	4,614,992	-	65,126	4,680,118
<b>Fund Balances</b>				
Nonspendable:				
Inventory	-	-	5,485	5,485
Prepaid assets	62,257	-	515	62,772
Restricted:				
Capital projects	-	1,754,253	-	1,754,253
Food service	-	-	194,686	194,686
Committed:				
Capital projects	-	-	285,926	285,926
Community service	-	-	381,128	381,128
Assigned:				
Budgeted use of fund balance in subsequent year	336,147	-	-	336,147
Retention bonus	47,084	-	-	47,084
Unassigned	2,263,185	-	-	2,263,185
Total fund balances	<u>2,708,673</u>	<u>1,754,253</u>	<u>867,740</u>	<u>5,330,666</u>
Total liabilities, fund balances, and deferred inflows of resources	<u>\$ 7,323,665</u>	<u>\$ 1,754,253</u>	<u>\$ 932,866</u>	<u>\$ 10,010,784</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.



# Clarenceville School District of Oakland and Wayne Counties

## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position Year Ended June 30, 2016

<b>Fund Balance Reported in Governmental Funds</b>	<b>\$</b>	<b>5,330,666</b>
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Amounts reported for governmental activities in the  
statement of net position are different because:

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

Cost of capital assets	\$ 30,714,517	
Accumulated depreciation	<u>(17,507,360)</u>	13,207,157

Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	9,255
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Deferred outflows related to pension payments made subsequent to the measurement date	2,353,092
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Compensated absences	(525,734)
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Deferred outflow related to pensions	964,812
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Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities	(31,648,140)
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Deferred inflows related to pension investment returns, changes in assumptions, and revenue in support of pension contributions subsequent to the measurement date are not reported in the governmental funds	<u>(1,012,300)</u>
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<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(11,321,192)</u></b>
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# Clarenceville School District of Oakland and Wayne Counties

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	General Fund	Sinking Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 2,439,009	\$ 1,257,469	\$ 597,300	\$ 4,293,778
State sources	15,427,638	-	27,853	15,455,491
Federal sources	827,285	-	539,878	1,367,163
Interdistrict sources	1,359,268	-	-	1,359,268
Total revenue	20,053,200	1,257,469	1,165,031	22,475,700
<b>Expenditures</b>				
Current:				
Instruction	12,970,405	-	-	12,970,405
Support services	6,380,725	18,353	-	6,399,078
Athletics	335,443	-	-	335,443
Food services	-	-	680,795	680,795
Community services	12,945	-	338,369	351,314
Capital outlay	9,877	80,260	6,629	96,766
Total expenditures	19,709,395	98,613	1,025,793	20,833,801
<b>Excess of Revenue Over Expenditures</b>	343,805	1,158,856	139,238	1,641,899
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 6)	39,507	-	75,259	114,766
Transfers out (Note 6)	(75,259)	-	(39,507)	(114,766)
Total other financing (uses) sources	(35,752)	-	35,752	-
<b>Net Change in Fund Balances</b>	308,053	1,158,856	174,990	1,641,899
<b>Fund Balances</b> - Beginning of year	2,400,620	595,397	692,750	3,688,767
<b>Fund Balances</b> - End of year	<u>\$ 2,708,673</u>	<u>\$ 1,754,253</u>	<u>\$ 867,740</u>	<u>\$ 5,330,666</u>

# Clarenceville School District of Oakland and Wayne Counties

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2016

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,641,899</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	\$ (1,716,013)
Capitalized capital outlay	<u>73,958</u> (1,642,055)
Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(29,530)
Revenue in support of pension contributions made subsequent to measurement date	(860,315)
Change in pension expense related to deferred items	335,338
Compensated absences are recorded when earned in the statement of activities. In the current year, more was paid out than was earned	<u>10,143</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (544,520)</u></b>

# Clarenceville School District of Oakland and Wayne Counties

## Fiduciary Funds Statement of Net Position June 30, 2016

	Student Activities Agency Fund	Private Purpose Trust	Total
<b>Assets</b> - Cash and investments (Note 3)	\$ 87,421	\$ 18,081	\$ 105,502
<b>Liabilities</b>			
Accounts payable	9	2,550	2,559
Due to student activities	83,183	-	83,183
Due to other funds (Note 6)	4,229	-	4,229
Total liabilities	87,421	2,550	89,971
<b>Net Position</b> - Restricted for scholarships	<u>\$ -</u>	<u>\$ 15,531</u>	<u>\$ 15,531</u>

# Clarenceville School District of Oakland and Wayne Counties

## Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2016

	Private Purpose Trust
<b>Additions</b>	
Private donations	\$ 1,000
Interest	229
Total additions	1,229
<b>Deductions - Scholarships</b>	6,350
<b>Change in Net Position</b>	(5,121)
<b>Net Position - Beginning of year</b>	20,652
<b>Net Position - End of year</b>	<b>\$ 15,531</b>

# **Clarenceville School District of Oakland and Wayne Counties**

## **Notes to Financial Statements June 30, 2016**

### **Note I - Nature of Business and Significant Accounting Policies**

The accounting policies of Clarenceville School District of Oakland and Wayne Counties (the "School 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 School District:

#### **Reporting Entity**

The School 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 financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

#### **Government-wide and Fund Financial Statements**

The government-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 primary government. For the most part, the effect of interfund activity has been removed from these statements. All of the School District's government-wide activities are considered governmental activities.

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

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

# Clarenceville School District of Oakland and Wayne Counties

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## Notes to Financial Statements June 30, 2016

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

**Government-wide Financial Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between business-type and governmental activities where eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

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

**Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. 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.

# Clarenceville School District of Oakland and Wayne Counties

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## Notes to Financial Statements June 30, 2016

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

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

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

**General Fund** - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

**Sinking Fund** - The Sinking Fund records capital projects activities funded with Sinking Fund millage

Additionally, the School District reports the following fund types:

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. Special revenue funds presently consist only of School Service Funds that are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Services Fund maintained by the School District are the Food Services Fund and the Community Services Fund. Revenue sources for the Food Services Fund include sales to customers and state and federal grants. Revenue sources for the Community Services Fund consist primarily of tuition and fees charged to users. For the Community Services Fund, the annual operating surplus or deficit generated by these funds can be transferred to or from the General Fund at the discretion of the school board. Any operating deficit generated by these activities is the responsibility of the General Fund.

**Capital Projects Fund** - The Capital Projects Fund uses funds transferred from the General Fund primarily for equipment and technology expenditures not allowed under Sinking Fund regulations.

**Agency Fund** - The School District presently maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.



# Clarenceville School District of Oakland and Wayne Counties

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## Notes to Financial Statements June 30, 2016

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Private Purpose Trust Fund** - The Private Purpose Trust Fund is used to account for resources legally held in trust, including contributions received by the School District to be awarded in the form of scholarships.

#### **Assets, Liabilities, and Net Position or Equity**

**Cash and Investments** - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 100 percent of the taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

**Inventories and Prepaid Costs** - Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Restricted Assets** - The unspent Sinking Fund property tax revenue and related interest of the this fund require amounts to be set aside for the projects supported by the millage. These amounts have been classified as restricted assets.

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2016

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the School 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 market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	20 to 50 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	7 to 10 years

**Compensated Absences (Vacation and Sick Leave)** - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

**Long-term Obligations** - In the district-wide financial statements other long-term obligations are reported as liabilities in the statement of net position.

**Deferred Outflows/Inflows 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 or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District only has one item that qualifies for reporting in this category. It is the deferred outflow related to the pension plan.

# Clarenceville School District of Oakland and Wayne Counties

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## Notes to Financial Statements June 30, 2016

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting, and is therefore only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes that is not collected during the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second and third items include the deferred inflow related to the pension plan in the amount of \$151,985 and the section 147C allocation from the State of Michigan in the amount of \$860,315 for payments received to support pension contributions made subsequent to the measurement date.

**Fund Balance** - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Board of Education
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the general fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the general fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

# Clarenceville School District of Oakland and Wayne Counties

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## Notes to Financial Statements June 30, 2016

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Comparative Data/Reclassifications** - Comparative data are not included in the School District's financial statements.

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

**Adoption of New Standard** - As of June 30, 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement Nos. 72, *Fair Value Measurement and Application*, and 79, *Certain External Investment Pools and Pool Participants*. These Statements provide guidance for the valuation and presentation certain assets at fair value and determining whether certain investment pools can continue to be accounted for using amortized cost. The adoption did not have a significant impact on amounts reported in the financial statements.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

# Clarenceville School District of Oakland and Wayne Counties

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## Notes to Financial Statements June 30, 2016

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School District did not have significant expenditure budget variances. The budget and actual information are presented in the same format as the adopted budget, which includes some classification differences from the amounts reported on the statement of revenue, expenditures, and changes in fund balance.

**Sinking Fund Compliance** - The Sinking Fund records capital project activities funded with the Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the State of Michigan's School Code.

### Note 3 - Deposits and Investments

State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated two banks for the deposit of its funds.

The investment policy adopted by the school board in accordance with state statutes has authorized investments in the state statutory authority as listed above.

There are no limitations or restrictions on participant withdrawals for investment pools that are recorded at amortized cost, except for a one-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$1,279,036 had \$1,029,036 of bank deposits (checking accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2016

### Note 3 - Deposits and Investments (Continued)

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy does not address custodial credit risk. The School District does not have investments subject to custodial credit risk.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not address interest rate risk.

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 3,658,654	AAAm	S&P
Merrill Lynch Money Market Investment	581,932	AAAm	S&P
Total investments	<u>\$ 4,240,586</u>		

**Concentration of Credit Risk** - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy does not address concentration of credit risk.

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2016

### Note 4 - Receivables and Unavailable/Unearned Revenue

Receivables as of year end for the School District's individual major funds and the nonmajor and Fiduciary Funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 150	\$ 66	\$ -	\$ 216
Accounts	4,764	-	21,725	26,489
Due from other governmental units	<u>3,047,604</u>	<u>6,500</u>	<u>102,320</u>	<u>3,156,424</u>
Total receivables	<u>\$ 3,052,518</u>	<u>\$ 6,566</u>	<u>\$ 124,045</u>	<u>\$ 3,183,129</u>

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the School District had \$9,255 of unavailable revenue related to grant revenue earned but not received within the period of availability and had \$407,192 of unearned revenue related to grant and categorical aid payments received prior to meeting all eligibility requirements.

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2016

### Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2015	Additions/ Transfers	Disposals/ Transfers	Balance June 30, 2016
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 1,106,646	\$ -	\$ -	\$ 1,106,646
Capital assets being depreciated:				
Buildings and building improvements	22,957,792	73,958	-	23,031,750
Furniture and equipment	5,844,878	-	-	5,844,878
Buses and other vehicles	731,243	-	-	731,243
Subtotal	29,533,913	73,958	-	29,607,871
Accumulated depreciation:				
Buildings and building improvements	10,348,170	1,512,226	-	11,860,396
Furniture and equipment	4,744,546	187,481	-	4,932,027
Buses and other vehicles	698,631	16,306	-	714,937
Subtotal	15,791,347	1,716,013	-	17,507,360
Net capital assets being depreciated	13,742,566	(1,642,055)	-	12,100,511
Net capital assets	\$ 14,849,212	\$ (1,642,055)	\$ -	\$ 13,207,157

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

**Construction Commitments** - The School District has no active construction projects at year end.

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		Total
	General Fund	Agency Fund	
General Fund	\$ -	\$ 4,229	\$ 4,229
Sinking Fund	1,115,755	-	1,115,755
Nonmajor governmental funds	235,926	-	235,926
Total	\$ 1,351,681	\$ 4,229	\$ 1,355,910



# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2016

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. At June 30, 2016, the General Fund owed the Sinking Fund for the respective portion of tax collections. Additionally, the General Fund owed the Capital Projects Fund for budgeted fund support.

The Agency Fund owed the General Fund for employee reimbursement of out-of-pocket expenses and for purchase card transactions.

#### Interfund Transfers

Transfer To	Transfer From		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 39,507	\$ 39,507
Nonmajor governmental funds	75,259	-	75,259
Total	\$ 75,259	\$ 39,507	\$ 114,766

General Fund transfers provide funding for capital projects. During the year, the General Fund transferred \$75,000 to the Capital Projects Fund and \$259 to the Food Service Fund. The Food Services Fund transferred funds to the General Fund as a reimbursement of overhead costs.

### Note 7 - Long-term Debt

Long-term obligations include compensated absences. Compensated absense activity can be sumarrized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities -</b>					
Compensated absences	\$ 535,877	\$ 68,078	\$ 78,221	\$ 525,734	\$ 68,078

# Clarenceville School District of Oakland and Wayne Counties

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## Notes to Financial Statements June 30, 2016

### Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the MAISL shared-risk pool for claims relating to property loss, torts, errors, omissions, and employee injuries. 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 School 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.

### Note 9 - Michigan Public School Employees' Retirement System

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

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

**Contributions** - Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

School districts' contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2016

### Note 9 - Michigan Public School Employees' Retirement System (Continued)

The range of rates are as follows:

#### School District

October 1, 2014 - September 30, 2015	18.76% - 23.07%
October 1, 2015 - June 30, 2016	14.56% - 18.95%

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2016 were \$2,971,099. The School District required and actual contributions include an allocation of \$860,315 of revenue received from the State of Michigan, and remitted to the system, to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2016.

**Benefits Provided** - Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2016

### Note 9 - Michigan Public School Employees' Retirement System (Continued)

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

**Net Pension Liability, Deferrals, and Pension Expense** - At June 30, 2016, the School District reported a liability of \$31,648,140 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, which used update procedures to roll forward the estimated liability to September 30, 2015. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015, the School District's proportion was 0.129573 percent.

For the year ended June 30, 2016, the School District recognized pension expense of \$2,668,723, exclusive of payments to fund the MPSERS UAAL Stabilization Rate. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (104,828)
Changes of assumptions	779,244	-
Net difference between projected and actual earnings on pension plan assets	161,538	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	24,030	(47,157)
The School District's contributions subsequent to the measurement date	2,353,092	-
Total	\$ 3,317,904	\$ (151,985)

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2016

### Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

Years Ending June 30	Amount
2017	\$ 82,585
2018	82,585
2019	40,333
2020	607,324
2021	-
Thereafter	-
Total	<u>\$ 812,827</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

**Actuarial Assumptions** - The total pension liability as of September 30, 2015 is based on the results of an actuarial valuation date of September 30, 2014 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return	7.00 to 8.00 percent, net of investment expenses based on the groups
Salary increases	3.50 - 12.3 percent, including wage inflation of 3.5 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3 percent annual non-compounded for MIP members

The actuarial assumptions used for the September 30, 2014 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2016

### Note 9 - Michigan Public School Employees' Retirement System (Continued)

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00-8.00 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.0 %	5.9 %
Private equity pools	18.0 %	9.2 %
International equity pools	16.0 %	7.2 %
Fixed-income pools	10.5 %	0.9 %
Real estate and infrastructure pools	10.0 %	4.3 %
Real return, opportunistic, and absolute pool	15.5 %	6.0 %
Short-term investment pools	2.0 %	- %
Total	100.0 %	

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2016

### Note 9 - Michigan Public School Employees' Retirement System (Continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the School District calculated using the discount rate of 7.00-8.00 percent, depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (6.0 - 7.0 percent) or 1.00 percentage point higher (8.0 - 9.0 percent) than the current rate:

1.00 Percent Decrease (6.0 - 7.0 Percent)	Current Discount Rate (7.0 - 8.0 Percent)	1.00 Percent Increase (8.0 - 9.0 Percent)
\$ 40,802,565	\$ 31,648,140	\$ 23,930,584

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

**Payable to the Pension Plan** - At June 30, 2016, the School District reported a payable of \$430,638 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**Postemployment Benefits Other Than Pensions (OPEB)** - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 2.2 percent to 2.71 percent of covered payroll for the period from July 1, 2015 to September 30, 2015 and from 6.4 percent to 6.83 percent of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

# **Clarenceville School District of Oakland and Wayne Counties**

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## **Notes to Financial Statements June 30, 2016**

### **Note 9 - Michigan Public School Employees' Retirement System (Continued)**

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were \$589,655, \$388,498, and \$787,092, respectively. In addition, a portion ranging from 35-100 percent of the the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate is considered a contribution to the retiree healthcare plan.

### **Note 10 - Upcoming Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2018.



## **Required Supplemental Information**

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# Clarenceville School District of Oakland and Wayne Counties

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 2,340,520	\$ 2,372,978	\$ 2,439,009	\$ 66,031
State sources	15,024,200	15,440,333	15,427,638	(12,695)
Federal sources	878,376	908,914	827,285	(81,629)
Interdistrict sources	1,264,760	1,284,760	1,359,268	74,508
Total revenue	19,507,856	20,006,985	20,053,200	46,215
<b>Expenditures - Current</b>				
Instruction:				
Basic program	9,288,638	9,680,014	9,529,495	(150,519)
Added needs	3,885,644	3,590,752	3,448,537	(142,215)
Total instruction	13,174,282	13,270,766	12,978,032	(292,734)
Support services:				
Pupil	1,166,756	1,290,389	1,251,590	(38,799)
Instructional staff	861,186	884,877	854,577	(30,300)
General administration	336,310	378,311	375,932	(2,379)
School administration	1,239,694	1,237,792	1,231,665	(6,127)
Business	452,511	452,430	437,499	(14,931)
Operations and maintenance	1,322,341	1,220,525	1,177,272	(43,253)
Pupil transportation services	655,324	637,832	587,317	(50,515)
Central	534,443	478,567	464,873	(13,694)
Total support services	6,568,565	6,580,723	6,380,725	(199,998)
Athletics	309,423	333,864	337,693	3,829
Community services	9,847	20,401	12,945	(7,456)
Total expenditures	20,062,117	20,205,754	19,709,395	(496,359)
<b>Excess of Revenue (Under) Over Expenditures</b>	(554,261)	(198,769)	343,805	542,574
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	39,507	39,507
Transfers out	(75,000)	(75,000)	(75,259)	(259)
<b>Net Change in Fund Balance</b>	(629,261)	(273,769)	308,053	581,822
<b>Fund Balance - Beginning of year</b>	2,400,620	2,400,620	2,400,620	-
<b>Fund Balance - End of year</b>	<u>\$ 1,771,359</u>	<u>\$ 2,126,851</u>	<u>\$ 2,708,673</u>	<u>\$ 581,822</u>

# **Clarenceville School District of Oakland and Wayne Counties**

## **Required Supplemental Information** **Schedule of Clarenceville School District of Oakland and Wayne Counties' Proportionate Share** **of the Net Pension Liability** **Michigan Public School Employees' Retirement System** **Determined as of the Plan Year Ended September 30**

	2016	2015
School District's proportion of the net pension liability (asset)	0.12957 %	0.12983 %
School District's proportionate share of the net pension liability (asset)	\$ 31,648,140	\$ 28,596,053
School District's covered employee payroll	10,774,731	11,184,796
School District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	293.73 %	255.67 %
Plan fiduciary net position as a percentage of the total pension liability	62.92 %	66.20 %

# **Clarenceville School District of Oakland and Wayne Counties**

## **Required Supplemental Information Schedule of Clarenceville School District's Contributions Michigan Public School Employee's Retirement System Determined as of the Year Ended June 30**

	2016	2015
Statutorily required contribution	\$ 2,959,689	\$ 2,386,357
Contributions in relation to the statutorily required contribution	2,959,689	2,386,357
School District's covered employee payroll	10,576,780	10,954,128
Contributions as a percentage of covered employee payroll	27.98 %	21.79 %

## **Clarenceville School District of Oakland and Wayne Counties**

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### **Note to Pension Required Supplemental Information Schedules Year Ended June 30, 2016**

**Benefit Changes** - There were no changes of benefit terms for the plan year ended September 30, 2015.

**Changes in Assumptions** - There were no changes of benefit assumptions for the plan year ended September 30, 2015.

## **Other Supplemental Information**

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# Clarenceville School District of Oakland and Wayne Counties

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Services Fund	Community Services Fund	Capital Projects Fund	
<b>Assets</b>				
Cash and investments	\$ 132,535	\$ 384,360	\$ 50,000	\$ 566,895
Receivables	97,246	26,799	-	124,045
Due from other funds	-	-	235,926	235,926
Inventories	5,485	-	-	5,485
Prepaid costs	-	515	-	515
Total assets	<u>\$ 235,266</u>	<u>\$ 411,674</u>	<u>\$ 285,926</u>	<u>\$ 932,866</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 21,757	\$ 5,920	\$ -	\$ 27,677
Accrued payroll-related liabilities	11,383	23,131	-	34,514
Unearned revenue	1,955	980	-	2,935
Total liabilities	35,095	30,031	-	65,126
<b>Fund Balances</b>				
Nonspendable:				
Inventory	5,485	-	-	5,485
Prepaid assets	-	515	-	515
Restricted - Food service	194,686	-	-	194,686
Committed:				
Capital projects	-	-	285,926	285,926
Community service	-	381,128	-	381,128
Total fund balances	<u>200,171</u>	<u>381,643</u>	<u>285,926</u>	<u>867,740</u>
Total liabilities and fund balances	<u>\$ 235,266</u>	<u>\$ 411,674</u>	<u>\$ 285,926</u>	<u>\$ 932,866</u>

# Clarenceville School District of Oakland and Wayne Counties

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2016

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Food Services Fund	Community Services Fund	Capital Projects Fund	
<b>Revenue</b>				
Local sources	\$ 171,953	\$ 425,347	\$ -	\$ 597,300
State sources	27,853	-	-	27,853
Federal sources	539,878	-	-	539,878
Total revenue	739,684	425,347	-	1,165,031
<b>Expenditures</b>				
Current:				
Food services	680,795	-	-	680,795
Community services	-	338,369	-	338,369
Capital outlay	320	-	6,309	6,629
Total expenditures	681,115	338,369	6,309	1,025,793
<b>Excess of Revenue Over (Under) Expenditures</b>	58,569	86,978	(6,309)	139,238
<b>Other Financing Sources</b>				
Transfers in	259	-	75,000	75,259
Transfers out	(39,507)	-	-	(39,507)
Total other financing (uses) sources	(39,248)	-	75,000	35,752
<b>Net Change in Fund Balances</b>	19,321	86,978	68,691	174,990
<b>Fund Balances - Beginning of year</b>	180,850	294,665	217,235	692,750
<b>Fund Balances - End of year</b>	<u>\$ 200,171</u>	<u>\$ 381,643</u>	<u>\$ 285,926</u>	<u>\$ 867,740</u>