

Clarenceville School District of Oakland and Wayne Counties

**Financial Report
with Supplemental Information
June 30, 2017**

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, 2017, 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 opinion.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2017 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 which 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 the purpose 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 5, 2017 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 5, 2017

Clarenceville School District of Oakland and Wayne Counties

Management's Discussion and Analysis

This section of the 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, 2017. 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 statement, the statement of fiduciary net position and the statement of changes in fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

This report is comprised of the following elements:

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 Major Funds

Schedule of Proportionate Share of the Net Pension Liability

Schedule of the School District's Pension Plan Contributions

Other Supplemental Information

Clarenceville School District of Oakland and Wayne Counties

Management's Discussion and Analysis (Continued)

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. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources, 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 many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Clarenceville School District of Oakland and Wayne Counties

Management's Discussion and Analysis (Continued)

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.

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. 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.

Clarenceville School District of Oakland and Wayne Counties

Management's Discussion and Analysis (Continued)

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, 2017 and 2016:

TABLE I

	Governmental Activities	
	June 30	
	2017	2016
	(in millions)	
Assets		
Current and other assets	\$ 9.4	\$ 8.7
Capital assets	12.4	13.2
Total assets	21.8	21.9
Deferred Outflows of Resources	3.9	3.3
Total assets and deferred outflows of resources	25.7	25.2
Liabilities		
Current liabilities	3.0	3.4
Long-term liabilities	32.0	32.1
Total liabilities	35.0	35.5
Deferred Inflows of Resources	1.7	1.0
Total liabilities and deferred inflows of resources	36.7	36.5
Net Position		
Net investment in capital assets	12.4	13.2
Restricted	2.9	1.8
Unrestricted	(26.3)	(26.3)
Total net position	\$ (11.0)	\$ (11.3)

The above analysis focuses on the net position (see Table I). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net deficit was (\$11.0 million) at June 30, 2017. Net investment in capital assets totaling \$12.4 million, consists of the original cost, less depreciation of the School District's capital assets. Restricted net position of \$2.9 million is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use net position for day-to-day operations. The remaining amount of net position (\$26.3 million) was unrestricted.

The (\$26.3 million) deficit 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 (Table 2), which shows the changes in net position for fiscal years June 30, 2017 and 2016.

Clarenceville School District of Oakland and Wayne Counties

Management's Discussion and Analysis (Continued)

TABLE 2

	Governmental Activities	
	2017	2016
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.7	\$ 0.7
Federal grants and entitlements	6.0	5.1
General revenue:		
Property taxes	3.5	3.5
State foundation allowance	12.0	12.2
Other	0.2	0.1
Total revenue	<u>22.4</u>	<u>21.6</u>
Functions/Program Expenses		
Instruction	12.8	12.7
Support services	6.9	6.4
Athletics	0.3	0.3
Food services	0.7	0.7
Community services	0.4	0.3
Depreciaton (unallocated)	1.0	1.7
Total functions/program expenses	<u>22.1</u>	<u>22.1</u>
Change in Net Position	0.3	(0.5)
Net Position - Beginning of year	<u>(11.3)</u>	<u>(10.8)</u>
Net Position - End of year	<u>\$ (11.0)</u>	<u>\$ (11.3)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$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 \$6.0 million). We paid for the remaining "public benefit" portion of our governmental activities with approximately \$3.5 million in taxes, \$12.0 million in State foundation allowance, and with our other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of approximately \$300,000. Key reasons for the change in net position were the ongoing operations as well as activity in the Sinking Fund.

Clarenceville School District of Oakland and Wayne Counties

Management's Discussion and Analysis (Continued)

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.

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 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 \$6.3 million, which is an increase of approximately \$1 million from last year. The primary reasons for the increase are as follows:

The fund balance in the Sinking Fund increased \$1.1 million as limited Sinking Fund eligible projects were undertaken in the current year.

In the General Fund, our principal operating fund, the fund balance decreased \$116,000 to \$2.6 million. The General Fund's fund balance is available to fund costs related to allowable school operating purposes.

Within our Special Revenue Funds, the Food Service Fund balance increased \$15,000, while the Community Services Fund increased \$69,000.

The fund balance in the Capital Projects Fund decreased \$125,000.

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 required supplemental information of these financial statements.

The actual revenue was approximately \$287,000 less 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 \$180,000. State revenue was \$114,000 less than the final budget as certain categorical programs were also under budget for the year.

Clarenceville School District of Oakland and Wayne Counties

Management’s Discussion and Analysis (Continued)

The actual expenditures and other financing uses were approximately \$615,000 below budget. The main reasons are as follows:

Expenditures related to federal programs were approximately \$180,000 under budget. This amount will be carried over for use during the 2017-2018 school year.

Expenditures related to the certain state categorical programs were under budget by approximately \$149,000. These amounts will also be carried over to 2017-2018.

The remaining difference is spread across many accounts but is primarily benefit and supply accounts related.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the School District had approximately \$30.8 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase in cost basis (including additions and disposals) of approximately \$55,000 from last year.

	<u>2017</u>	<u>2016</u>
Land	\$ 1,106,646	\$ 1,106,646
Buildings and building improvements	23,031,750	23,031,750
Buses and other vehicles	557,293	731,243
Furniture and equipment	<u>6,076,078</u>	<u>5,844,878</u>
Total capital assets	30,771,767	30,714,517
Less accumulated depreciation	<u>18,371,886</u>	<u>17,507,360</u>
Net capital assets	<u>\$ 12,399,881</u>	<u>\$ 13,207,157</u>

This year’s additions of \$231,000 included technology and playground equipment. No debt was issued for these additions.

Debt

The School District had no bonded debt outstanding as of June 30, 2017 and 2016.

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

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2018 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018 fiscal year is 10 and 90 percent of the February 2017 and October 2017 student counts, respectively. The 2018 budget was adopted in June 2017, based on an estimate of students that will be enrolled in September 2017. Approximately 63.5 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2018 budget. Once the final student count and related per pupil funding is 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. The State periodically holds a revenue-estimating conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of \$60 per pupil.

Contacting the District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office

Clarenceville School District of Oakland and Wayne Counties

Statement of Net Position June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 3)	\$ 5,459,327
Receivables (Note 4)	3,209,404
Inventories	4,699
Prepaid costs and other assets	59,880
Restricted assets (Note 3)	682,589
Capital assets - Net (Note 5)	<u>12,399,881</u>
Total assets	21,815,780
Deferred Outflows of Resources - Deferred outflows related to pensions (Note 9)	<u>3,920,410</u>
Total assets and deferred outflows of resources	25,736,190
Liabilities	
Accounts payable	410,917
Accrued payroll-related liabilities	2,079,968
Due to other governmental units	239,560
Unearned revenue (Note 4)	379,101
Noncurrent liabilities (Note 7):	
Due within one year	42,656
Due in more than one year	388,623
Net pension liability (Note 9)	<u>31,519,140</u>
Total liabilities	35,059,965
Deferred Inflows of Resources - Deferred inflows related to pension and revenue in support of pension contributions made subsequent to measurement date	<u>1,672,805</u>
Total liabilities and deferred inflows of resources	<u>36,732,770</u>
Net Position	
Net investment in capital assets	12,399,881
Restricted - Capital projects	2,877,613
Unrestricted	<u>(26,274,074)</u>
Total net position	<u>\$ (10,996,580)</u>

Clarenceville School District of Oakland and Wayne Counties

Statement of Activities Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Primary government - Governmental activities:				
Instruction	\$ 12,813,811	\$ 3,915	\$ 3,485,059	\$ (9,324,837)
Support services	6,882,422	70,526	1,895,056	(4,916,840)
Athletics	344,679	61,601	29,840	(253,238)
Food services	731,345	169,610	608,117	46,382
Community services	359,972	426,820	-	66,848
Depreciation expense (unallocated)	1,038,476	-	-	(1,038,476)
Total primary government	<u>\$ 22,170,705</u>	<u>\$ 732,472</u>	<u>\$ 6,018,072</u>	(15,420,161)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				2,271,701
Property taxes, levied for sinking fund				1,221,692
State aid not restricted to specific purposes				12,004,306
Interest and investment earnings				38,598
Other				208,476
Total general revenue				<u>15,744,773</u>
Change in Net Position				324,612
Net Position - Beginning of year				<u>(11,321,192)</u>
Net Position - End of year				<u>\$ (10,996,580)</u>

Clarenceville School District of Oakland and Wayne Counties

Governmental Funds Balance Sheet June 30, 2017

	General Fund	Sinking Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 4,826,512	\$ -	\$ 632,815	\$ 5,459,327
Receivables - Net (Note 4)	3,112,872	29,713	66,819	3,209,404
Due from other funds (Note 6)	4,727	2,225,603	145,519	2,375,849
Inventories	-	-	4,699	4,699
Prepaid costs	59,685	-	195	59,880
Restricted cash and investments (Note 3)	-	632,589	50,000	682,589
Total assets	\$ 8,003,796	\$ 2,887,905	\$ 900,047	\$ 11,791,748
Liabilities, Fund Balances, and Deferred Inflows of Resources				
Liabilities				
Accounts payable	\$ 359,040	\$ 10,292	\$ 46,312	\$ 415,644
Accrued payroll-related liabilities	2,055,902	-	24,066	2,079,968
Due to other governmental units	239,560	-	-	239,560
Unearned revenue (Note 4)	375,098	-	4,003	379,101
Due to other funds (Note 6)	2,371,122	-	-	2,371,122
Total liabilities	5,400,722	10,292	74,381	5,485,395
Deferred Inflows of Resources - Unavailable revenue (Note 4)	10,120	-	-	10,120
Total liabilities and deferred inflows of resources	5,410,842	10,292	74,381	5,495,515
Fund Balances				
Nonspendable:				
Inventory	-	-	4,699	4,699
Prepaid assets	59,685	-	195	59,880
Restricted:				
Capital projects	-	2,877,613	-	2,877,613
Food service	-	-	209,855	209,855
Committed:				
Capital projects	-	-	160,839	160,839
Community service	-	-	450,078	450,078
Assigned:				
Budgeted use of fund balance in subsequent year	476,047	-	-	476,047
Retention bonus	51,000	-	-	51,000
Unassigned	2,006,222	-	-	2,006,222
Total fund balances	2,592,954	2,877,613	825,666	6,296,233
Total liabilities, fund balances, and deferred inflows of resources	\$ 8,003,796	\$ 2,887,905	\$ 900,047	\$ 11,791,748

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, 2017

Fund Balance Reported in Governmental Funds	\$	6,296,233
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the funds:</p>		
Cost of capital assets	\$ 30,771,767	
Accumulated depreciation	<u>(18,371,886)</u>	12,399,881
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		10,120
Deferred outflows related to pension payments made subsequent to the measurement date		2,475,111
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Compensated absences		(431,279)
Deferred outflow related to pensions		1,445,299
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities		(31,519,140)
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>(1,672,805)</u>
Net Position of Governmental Activities	\$	<u>(10,996,580)</u>

Clarenceville School District of Oakland and Wayne Counties

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	General Fund	Sinking Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 2,547,127	\$ 1,222,349	\$ 730,054	\$ 4,499,530
State sources	15,374,650	-	36,319	15,410,969
Federal sources	794,658	-	571,798	1,366,456
Interdistrict sources	1,317,001	-	-	1,317,001
Total revenue	20,033,436	1,222,349	1,338,171	22,593,956
Expenditures				
Current:				
Instruction	13,001,423	-	-	13,001,423
Support services	6,672,031	12,971	-	6,685,002
Athletics	346,513	-	-	346,513
Food services	-	-	735,076	735,076
Community services	5,134	-	358,190	363,324
Capital outlay	48,682	86,018	362,351	497,051
Total expenditures	20,073,783	98,989	1,455,617	21,628,389
Excess of Revenue (Under) Over Expenditures	(40,347)	1,123,360	(117,446)	965,567
Other Financing Sources (Uses)				
Transfers in (Note 6)	-	-	75,372	75,372
Transfers out (Note 6)	(75,372)	-	-	(75,372)
Total other financing (uses) sources	(75,372)	-	75,372	-
Net Change in Fund Balances	(115,719)	1,123,360	(42,074)	965,567
Fund Balances - Beginning of year	2,708,673	1,754,253	867,740	5,330,666
Fund Balances - End of year	<u>\$ 2,592,954</u>	<u>\$ 2,877,613</u>	<u>\$ 825,666</u>	<u>\$ 6,296,233</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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	965,567
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p style="padding-left: 20px;">Governmental funds report capital outlay as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>		
Depreciation expense	\$ (1,038,476)	
Capitalized capital outlay	<u>231,200</u>	(807,276)
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		865
Revenue in support of pension contributions made subsequent to measurement date		(99,504)
Change in pension expense related to deferred items		170,505
Compensated absences are recorded when earned in the statement of activities. In the current year, more was paid out than was earned		<u>94,455</u>
Change in Net Position of Governmental Activities	\$	<u>324,612</u>

Clarenceville School District of Oakland and Wayne Counties

Fiduciary Funds Statement of Net Position June 30, 2017

	Student Activities <u>Agency Fund</u>	Private Purpose Trust <u>Purpose Trust</u>	<u>Total</u>
Assets - Cash and investments (Note 3)	\$ 101,260	\$ 18,678	\$ 119,938
Liabilities			
Accounts payable	-	8,601	8,601
Due to student activities	96,531	-	96,531
Due to other funds (Note 6)	4,727	-	4,727
Due to other government units	<u>2</u>	<u>-</u>	<u>2</u>
Total liabilities	<u>101,260</u>	<u>8,601</u>	<u>109,861</u>
Net Position - Restricted for scholarships	<u>\$ -</u>	<u>\$ 10,077</u>	<u>\$ 10,077</u>

Clarenceville School District of Oakland and Wayne Counties

Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2017

	Private Purpose Trust
Additions	
Private donations	\$ 2,500
Interest	647
Total additions	3,147
Deductions - Scholarships	8,601
Change in Net Position	(5,454)
Net Position - Beginning of year	15,531
Net Position - End of year	\$ 10,077

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2017

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 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

Notes to Financial Statements
June 30, 2017

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 a purpose 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 purpose for 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

Notes to Financial Statements June 30, 2017

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 Funds 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

Notes to Financial Statements June 30, 2017

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 50 percent of the taxes and on December 1 for the remainder of the property 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. For the fiscal year ended June 30, 2017, tax abatement programs impacting property tax revenue were not significant.

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 this fund requires amounts to be set aside for 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, 2017

Note I - 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 activities 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 acquisition 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 government-wide financial statements, long-term debt and 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 reports deferred outflows of resources, which represents a consumption of net position or fund balance that applies to a future period and 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 outflows related to pensions.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2017

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

In addition to liabilities, the statement of financial position reports deferred inflows of resources, which 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 grant revenue 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 \$712,986 and the Section 147C allocation from the State of Michigan in the amount of \$99,501 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 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.

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

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2017

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

Pensions - For the purpose 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.

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. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and 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.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Sinking Fund Compliance - The Sinking Fund records capital project activities funded with the Sinking Fund millage. For this fund, authorized prior to March 16, 2017, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2017

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 financial institutions for the deposit of its funds.

The investment policy adopted by the board in accordance with state statute has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

There are no limitations or restrictions on participant withdrawals for the 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's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$853,374 had \$603,374 of bank deposits 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.

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.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

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	\$ 4,824,591	AAA _m	S&P
Merrill Lynch Money Market Investment	582,589	AAA _m	S&P
Total investments	<u>\$ 5,407,180</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.

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:

	General Fund	Sinking Fund	Nonmajor Funds	Total
Receivables:				
Taxes	\$ 52,533	\$ 29,713	\$ -	\$ 82,246
Accounts	20,665	-	26,288	46,953
Due from other governmental units	<u>3,039,674</u>	<u>-</u>	<u>40,531</u>	<u>3,080,205</u>
Total receivables	<u>\$ 3,112,872</u>	<u>\$ 29,713</u>	<u>\$ 66,819</u>	<u>\$ 3,209,404</u>

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2017

Note 4 - Receivables and Unavailable/Unearned Revenue (Continued)

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 \$10,120 of unavailable revenue related to grant revenue earned but not received within the period of availability and had \$379,101 of unearned revenue related to grant and categorial aid payments received prior to meeting all eligibility requirements.

Note 5 - Capital Assets

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

	Balance July 1, 2016	Additions/ Transfers	Disposals/ Transfers	Balance June 30, 2017
Governmental Activities				
Capital assets not being depreciated - Land	\$ 1,106,646	\$ -	\$ -	\$ 1,106,646
Capital assets being depreciated:				
Buildings and building improvements	23,031,750	-	-	23,031,750
Furniture and equipment	5,844,878	231,200	-	6,076,078
Buses and other vehicles	731,243	-	173,950	557,293
Subtotal	29,607,871	231,200	173,950	29,665,121
Accumulated depreciation:				
Buildings and building improvements	11,860,396	864,149	-	12,724,545
Furniture and equipment	4,932,027	158,021	-	5,090,048
Buses and other vehicles	714,937	16,306	173,950	557,293
Subtotal	17,507,360	1,038,476	173,950	18,371,886
Net capital assets being depreciated	12,100,511	(807,276)	-	11,293,235
Net capital assets	\$ 13,207,157	\$ (807,276)	\$ -	\$ 12,399,881

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.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2017

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	\$ -	\$ 4,727	\$ 4,727
Sinking Fund	2,225,603	-	2,225,603
Nonmajor governmental funds	145,519	-	145,519
Total	\$ 2,371,122	\$ 4,727	\$ 2,375,849

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, 2017, 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 General Fund
Nonmajor governmental funds	\$ 75,372

General Fund transfers provide funding for capital projects. During the year, the General Fund transferred \$75,000 to the Capital Projects Fund and \$372 to the Food Service Fund.

Note 7 - Long-term Debt

Long-term obligations include compensated absences. Compensated absence activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities -					
Compensated absences	\$ 525,734	\$ 50,303	\$ 144,758	\$ 431,279	\$ 42,656

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements
June 30, 2017

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 (MPSERS 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. Certain School District employees also receive defined contribution retirement and healthcare benefits through the System. 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 District's 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, 2017

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

The range of rates are as follows:

School District

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - June 30, 2017	15.27% - 19.03%

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, 2017 were \$2,989,819 which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$959,819 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, 2017.

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 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 nonduty 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, 2017

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, 2017, the School District reported a liability of \$31,519,140 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, which used updated procedures to roll forward the estimated liability to September 30, 2016. 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, 2017, the School District's proportion was 0.126333 percent.

For the year ended June 30, 2017, the School District recognized pension expense of \$2,836,558, inclusive of payments to fund the MPSERS UAAL Stabilization Rate. At June 30, 2017, 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	\$ 392,812	\$ (74,701)
Changes of assumptions	492,777	-
Net difference between projected and actual earnings on pension plan assets	523,848	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	35,862	(638,285)
The School District's contributions subsequent to the measurement date	2,475,111	-
Total	<u>\$ 3,920,410</u>	<u>\$ (712,986)</u>

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2017

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
2018	\$ 80,602
2019	39,406
2020	592,268
2021	20,037
2022	-
Thereafter	-
Total	<u>\$ 732,313</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, 2016 is based on the results of an actuarial valuation date of September 30, 2015 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 to 12.3 percent, including wage inflation of 3.5 percent
- Mortality basis - RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
- Cost of living pension adjustments - 3 percent annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2017

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00 to 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 %	

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent. As a result, the actuarial computed employer contributions and the net pension liability will increase for the measurement period ending on September 30, 2017.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2017

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 7.0 to 8.0 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 1.0 percentage point lower (6.0 to 7.0 percent) or 1.00 percentage point higher (8.0 to 9.0 percent) than the current rate:

1.00 Percent Decrease (6.0 to 7.0 Percent)	Current Discount Rate (7.0 to 8.0 Percent)	1.00 Percent Increase (8.0 to 9.0 Percent)
\$ 40,588,718	\$ 31,519,140	\$ 23,872,613

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, 2017, the School District reported a payable of \$386,882 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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 6.4 to 6.83 percent of covered payroll for the period from July 1, 2016 to September 30, 2016 and from 5.69 to 5.91 percent of covered payroll for the period from October 1, 2016 through June 30, 2017 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

Notes to Financial Statements June 30, 2017

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, 2017, 2016, and 2015 were \$641,211, \$589,655, and \$388,498, 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 supplemental 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.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. 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, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. 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 ended June 30, 2021.

Required Supplemental Information

Clarenceville School District of Oakland and Wayne Counties

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 2,510,378	\$ 2,542,245	\$ 2,547,127	\$ 4,882
State sources	15,354,752	15,488,517	15,374,650	(113,867)
Federal sources	908,914	974,620	794,658	(179,962)
Interdistrict sources	1,297,260	1,315,501	1,317,001	1,500
Total revenue	20,071,304	20,320,883	20,033,436	(287,447)
Expenditures - Current				
Instruction:				
Basic program	9,729,859	9,808,730	9,564,051	(244,679)
Added needs	3,558,449	3,599,472	3,439,069	(160,403)
Total instruction	13,288,308	13,408,202	13,003,120	(405,082)
Support services:				
Pupil	1,296,705	1,504,483	1,483,621	(20,862)
Instructional staff	890,941	1,013,756	902,126	(111,630)
General administration	352,212	346,955	351,238	4,283
School administration	1,232,585	1,306,126	1,292,084	(14,042)
Business	409,863	411,149	403,430	(7,719)
Operations and maintenance	1,323,295	1,253,433	1,244,385	(9,048)
Pupil transportation services	691,220	628,878	617,890	(10,988)
Central	493,056	447,070	424,242	(22,828)
Total support services	6,689,877	6,911,850	6,719,016	(192,834)
Athletics	333,864	342,509	346,513	4,004
Community services	20,401	25,747	5,134	(20,613)
Total expenditures	20,332,450	20,688,308	20,073,783	(614,525)
Excess of Expenditures Over Revenue	(261,146)	(367,425)	(40,347)	327,078
Other Financing Sources (Uses)				
Transfers in	-	34,000	-	(34,000)
Transfers out	(75,000)	(75,000)	(75,372)	(372)
Net Change in Fund Balance	(336,146)	(408,425)	(115,719)	292,706
Fund Balance - Beginning of year	2,708,673	2,708,673	2,708,673	-
Fund Balance - End of year	<u>\$ 2,372,527</u>	<u>\$ 2,300,248</u>	<u>\$ 2,592,954</u>	<u>\$ 292,706</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	2014
School District's proportion of the net pension liability	0.12633 %	0.12957 %	0.12983 %
School District's proportionate share of the net pension liability	\$ 31,519,140	\$ 31,648,140	\$ 28,596,053
School District's covered employee payroll	10,516,812	10,774,731	11,184,796
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	299.70 %	293.73 %	255.67 %
Plan fiduciary net position as a percentage of the total pension liability	63.01 %	62.92 %	66.15 %

Clarenceville School District of Oakland and Wayne Counties

Required Supplemental Information Schedule of Clarenceville School District of Oakland and Wayne Counties' Contributions Michigan Public School Employees' Retirement System Determined as of the Year Ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 2,977,568	\$ 2,959,689	\$ 2,386,357
Contributions in relation to the statutorily required contribution	2,977,568	2,959,689	2,386,357
School District's covered employee payroll	10,680,171	10,576,780	10,954,128
Contributions as a percentage of covered employee payroll	27.88 %	27.98 %	21.79 %

Clarenceville School District of Oakland and Wayne Counties

Notes to Pension Required Supplemental Information Schedules Year Ended June 30, 2017

Benefit Changes - There were no changes of benefit terms for the plan year ended September 30, 2016.

Changes in Assumptions - There were no changes of benefit assumptions for the plan year ended September 30, 2016.

Other Supplemental Information

Clarenceville School District of Oakland and Wayne Counties

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Services Fund	Community Services Fund	Capital Projects Fund	
Assets				
Cash and investments	\$ 186,079	\$ 446,736	\$ -	\$ 632,815
Receivables	35,125	31,694	-	66,819
Due from other funds	-	-	145,519	145,519
Inventories	4,699	-	-	4,699
Prepaid costs	-	195	-	195
Restricted assets	-	-	50,000	50,000
Total assets	\$ 225,903	\$ 478,625	\$ 195,519	\$ 900,047
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 573	\$ 11,059	\$ 34,680	\$ 46,312
Accrued payroll-related liabilities	8,374	15,692	-	24,066
Unearned revenue	2,402	1,601	-	4,003
Total liabilities	11,349	28,352	34,680	74,381
Fund Balances				
Nonspendable:				
Inventory	4,699	-	-	4,699
Prepaid assets	-	195	-	195
Restricted - Food service	209,855	-	-	209,855
Committed:				
Capital projects	-	-	160,839	160,839
Community service	-	450,078	-	450,078
Total fund balances	214,554	450,273	160,839	825,666
Total liabilities and fund balances	\$ 225,903	\$ 478,625	\$ 195,519	\$ 900,047

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, 2017

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Food Services Fund	Community Services Fund	Capital Projects Fund	
Revenue				
Local sources	\$ 169,610	\$ 426,820	\$ 133,624	\$ 730,054
State sources	36,319	-	-	36,319
Federal sources	571,798	-	-	571,798
Total revenue	<u>777,727</u>	<u>426,820</u>	<u>133,624</u>	<u>1,338,171</u>
Expenditures				
Current:				
Food services	735,076	-	-	735,076
Community services	-	358,190	-	358,190
Capital outlay	28,640	-	333,711	362,351
Total expenditures	<u>763,716</u>	<u>358,190</u>	<u>333,711</u>	<u>1,455,617</u>
Excess of Revenue Over (Under) Expenditures	14,011	68,630	(200,087)	(117,446)
Other Financing Sources -				
Transfers in	372	-	75,000	75,372
Net Change in Fund Balances	14,383	68,630	(125,087)	(42,074)
Fund Balances - Beginning of year	200,171	381,643	285,926	867,740
Fund Balances - End of year	<u>\$ 214,554</u>	<u>\$ 450,273</u>	<u>\$ 160,839</u>	<u>\$ 825,666</u>