

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

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**Financial Report  
with Supplemental Information  
June 30, 2015**

# 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, 2015, 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.

### ***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, 2015, 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.

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

**Emphasis of Matter**

As discussed in Note I to the basic financial statements, effective July 1, 2014, the School District adopted the provision of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The School District's unrestricted net position has been restated as of July 1, 2014 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

**Required Supplementary 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 on pages 4-11 and 40-42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other supplementary 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 supplementary 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 supplementary 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 October 20, 2015, 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*

October 20, 2015

# Clarenceville School District of Oakland and Wayne Counties

## 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, 2015. 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, 2015 and 2014:

Table I

	Governmental Activities	
	June 30	
	2015	2014
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 6.9	\$ 7.7
Capital assets	14.8	14.2
Total assets	21.7	21.9
<b>Deferred Outflows of Resources</b>	1.9	1.5
Total assets and deferred outflow of resources	23.6	23.4
<b>Liabilities</b>		
Current liabilities	3.2	3.4
Long-term liabilities	29.1	30.9
Total liabilities	32.3	34.3
<b>Deferred Inflows of Resources</b>	2.1	-
Total liabilities and deferred inflows of resources	34.4	34.3
<b>Net Position</b>		
Net investment in capital assets	14.8	14.2
Restricted	0.8	1.2
Unrestricted (deficit)	(26.4)	(26.3)
Total net position (deficit)	<u>\$ (10.8)</u>	<u>\$ (10.9)</u>



# 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 (\$10.8) million at June 30, 2015. Net investment in capital assets totaling \$14.8 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 \$0.8 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 (\$26.4 million) was unrestricted.

As required by the Governmental Accounting Standards Board (GASB) the School District adopted GASB 68 and 71. These standards required the inclusion of the district's proportionate share of the Michigan Public School Employees' Retirement Plan within the District's financial statements, effective July 1, 2014. The effect of the adoption was to decrease July 1, 2014 beginning net position by \$28.9 million and the inclusion of the obligation, and related deferred inflows and outflows, in the June 30, 2015 financial statements. All governments participating in the retirement plan were required to adopt these new standards.

The \$26.4 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, 2015 and 2014.

Table 2

	Governmental Activities	
	2015	2014
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.7	\$ 0.7
Federal grants and entitlements	1.3	1.4
State categoricals	1.9	1.8
Operating grants	1.3	1.2
General revenue:		
Property taxes	3.3	3.3
State foundation allowance	13.4	13.4
Other	0.1	0.1
Total revenue	22.0	21.9

# Clarenceville School District of Oakland and Wayne Counties

## Management's Discussion and Analysis (Continued)

Table 2 (Continued)

	Governmental Activities	
	2015	2014
	(in millions)	
<b>Functions/Program Expenses</b>		
Instruction	\$ 13.1	\$ 12.9
Support services	6.4	6.5
Athletics	0.3	0.3
Food services	0.7	0.7
Community services	0.3	0.3
Depreciaton (unallocated)	1.1	1.0
Total functions/program expenses	21.9	21.7
<b>Increase in Net Position</b>	\$ 0.1	\$ 0.2
<b>Net (Deficit) Position - Beginning of year</b>	(10.9)	17.8
<b>Impact of GASB Statement Nos. 68 and 71</b>	-	(28.9)
<b>Net Position (Deficit) - End of year</b>	<u>\$ (10.8)</u>	<u>\$ (10.9)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was approximately \$21.9 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 \$4.5 million). We paid for the remaining "public benefit" portion of our governmental activities with approximately \$3.3 million in taxes, \$13.4 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 \$50,000. Key reasons for the change in net position were the ongoing operations as well as continued renovation projects including athletic field and building upgrades.

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 \$3.7 million, which is a decrease of approximately \$600,000 from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance decreased approximately \$400,000 to \$2.4 million. The General Fund's fund balance is available to fund costs related to allowable school operating purposes.

In May 2006, the community supported a ballot proposal to increase and extend the School District's Sinking Fund. Fund balance decreased approximately \$400,000 during the year.

Within our special revenue funds, the Food Services Fund balance increased \$35,000 while the Community Services Fund increased \$65,000.

The fund balance in the Capital Projects Fund increased \$100,000 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 \$202,000 less than the final budget. The main reasons are as follows:

- State Sources – Great Start Readiness and At-Risk funding were under budget by \$77,000 and \$59,000 respectively. Expenditures related to these programs were under budget by a like amount. State Aid revenue was approximately \$45,000 more than budget.
- Federal Sources – Federal revenue was less than budget as federally funded program expenditures were under budget by approximately \$48,000
- Interdistrict Sources – Revenues received from Oakland ISD were approximately \$50,000 less than final budget.

# Clarenceville School District of Oakland and Wayne Counties

## Management's Discussion and Analysis (Continued)

The actual expenditures and other financing uses were below budget. Actual expenditures were approximately \$491,000 less than the final budgeted amounts. The main reasons are as follows:

- Great Start Readiness, At Risk and Federally Funded program expenditures were approximately \$185,000 less than the final budget. Revenue associated with these programs is under budget by a like amount.
- Many departmental supply and purchase service accounts were unspent with balances remaining at year end of approximately \$127,000.
- The remaining \$179,000 is spread amongst all district salary and fringe benefit accounts

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2015, the School District had approximately \$30.6 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 \$1.7 million from last year.

	2015	2014
Land	\$ 1,106,646	\$ 1,106,646
Buildings and building improvements	22,957,792	21,421,340
Buses and other vehicles	731,243	731,243
Furniture and equipment	5,844,878	5,644,659
Total capital assets	<b>\$ 30,640,559</b>	<b>\$ 28,903,888</b>

This year's net additions of \$1.7 million include approximately \$1.5 million of building and site renovations and \$200,000 in technology equipment.

The current Sinking Fund is set to expire after the July 2015 collection. Accordingly, the School District is limiting summer construction for the 2015-2016 year while the Board of Education contemplates future capital funding needs.

# Clarenceville School District of Oakland and Wayne Counties

## Management's Discussion and Analysis (Continued)

### *Debt*

The School District had no bonded debt outstanding as of June 30, 2015 and 2014.

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.

### **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 is anticipated to be 90 and 10 percent of October 2015 and February 2015 enrollment, respectively. Based on early enrollment data, we anticipate that the fall student count will be approximately 8 students lower than the estimate used in creating the 2015 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 2015-2016, the School District is assuming that it will receive an increase of \$70 in the state foundation allowance to \$8,169.

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 80 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, 2015

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments (Note 3)	\$ 3,105,714
Receivables (Note 4)	3,139,894
Inventories	6,707
Prepaid costs and other assets	52,269
Restricted assets (Note 3)	581,874
Capital assets - Net (Note 5)	<u>14,849,212</u>
Total assets	21,735,670
<b>Deferred Outflows of Resources -</b>	
Deferred outflows related to pensions (Note 9)	<u>1,884,658</u>
Total assets and deferred outflows of resources -	23,620,328
<b>Liabilities</b>	
Accounts payable	333,316
Accrued payroll-related liabilities:	
Salaries payable	1,496,041
Payroll-related liabilities	672,935
Due to other governmental units	256,685
Unearned revenue (Note 4)	399,929
Noncurrent liabilities (Note 7):	
Due within one year	67,655
Due in more than one year	468,222
Net pension liability (Note 9)	<u>28,596,053</u>
Total liabilities	32,290,836
<b>Deferred Inflows of Resources -</b>	
Deferred inflows related to pensions (Note 9)	<u>2,106,164</u>
Total liabilities and deferred inflows of resources	<u>34,397,000</u>
<b>Net Position</b>	
Net investment in capital assets	14,849,212
Restricted:	
Capital projects	595,397
Food Service	180,850
Unrestricted	<u>(26,402,131)</u>
Total net position	<u><b>\$(10,776,672)</b></u>

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

# Clarenceville School District of Oakland and Wayne Counties

## Statement of Activities Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government - Governmental activities:				
Instruction	\$ 13,119,096	\$ 1,955	\$ 2,625,961	\$ (10,491,180)
Support services	6,424,115	47,065	1,335,362	(5,041,688)
Athletics	322,795	57,977	16,737	(248,081)
Food services	665,184	156,834	550,574	42,224
Community services	324,463	387,647	-	63,184
Depreciation expense (unallocated)	1,112,966	-	-	(1,112,966)
Total primary government	<u>\$ 21,968,619</u>	<u>\$ 651,478</u>	<u>\$ 4,528,634</u>	(16,788,507)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				2,140,926
Property taxes, levied for sinking fund				1,196,518
State aid not restricted to specific purposes				13,438,670
Interest and investment earnings				773
Other				55,030
Total general revenues				<u>16,831,917</u>
<b>Change in Net Position</b>				43,410
<b>Net Position - As restated - Beginning of year (Note 1)</b>				<u>(10,820,082)</u>
<b>Net Position - End of year</b>				<u><b>\$ (10,776,672)</b></u>

# Clarenceville School District of Oakland and Wayne Counties

## Governmental Funds Balance Sheet June 30, 2015

	General Fund	Sinking Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 3)	\$ 2,685,738	\$ -	\$ 419,976	\$ 3,105,714
Receivables - Net (Note 4)	3,069,965	44,209	25,720	3,139,894
Due from other funds (Note 6)	4,942	3,855	284,755	293,552
Inventories	-	-	6,707	6,707
Prepaid costs	52,122	-	147	52,269
Restricted cash and investments (Note 3)	-	581,874	-	581,874
<b>Total assets</b>	<b>\$ 5,812,767</b>	<b>\$ 629,938</b>	<b>\$ 737,305</b>	<b>\$ 7,180,010</b>
<b>Liabilities, Fund Balances, and Deferred Inflows of Resources</b>				
<b>Liabilities</b>				
Accounts payable	\$ 288,795	\$ 34,541	\$ 14,922	\$ 338,258
Accrued payroll-related liabilities	2,144,769	-	24,207	2,168,976
Due to other governmental units	256,685	-	-	256,685
Unearned revenue (Note 4)	394,503	-	5,426	399,929
Due to other funds (Note 6)	288,610	-	-	288,610
<b>Total liabilities</b>	<b>3,373,362</b>	<b>34,541</b>	<b>44,555</b>	<b>3,452,458</b>
<b>Deferred Inflows of Resources - Unavailable revenue (Note 4)</b>	<b>38,785</b>	<b>-</b>	<b>-</b>	<b>38,785</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>3,412,147</b>	<b>34,541</b>	<b>44,555</b>	<b>3,491,243</b>
<b>Fund Balances</b>				
Nonspendable:				
Inventory	-	-	6,707	6,707
Prepaid assets	52,122	-	147	52,269
Restricted:				
Capital projects	-	595,397	-	595,397
Food service	-	-	174,143	174,143
Committed:				
Capital projects	-	-	217,235	217,235
Community service	-	-	294,518	294,518
Assigned - Budgeted use of fund balance in subsequent year	629,261	-	-	629,261
Unassigned	1,719,237	-	-	1,719,237
<b>Total fund balances</b>	<b>2,400,620</b>	<b>595,397</b>	<b>692,750</b>	<b>3,688,767</b>
<b>Total liabilities, fund balances, and deferred inflows of resources</b>	<b>\$ 5,812,767</b>	<b>\$ 629,938</b>	<b>\$ 737,305</b>	<b>\$ 7,180,010</b>

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, 2015

<b>Fund Balance Reported in Governmental Funds</b>	<b>\$</b>	<b>3,688,767</b>
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	\$ 30,640,559	
Accumulated depreciation	<u>(15,791,347)</u>	14,849,212
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		38,785
Deferred outflows related to pension payments made subsequent to the measurement date		1,884,658
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Compensated absences:		(535,877)
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities		(28,596,053)
Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds		<u>(2,106,164)</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(10,776,672)</u></b>

# Clarenceville School District of Oakland and Wayne Counties

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Sinking Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 2,307,257	\$ 1,196,592	\$ 546,231	\$ 4,050,080
State sources	15,245,533	-	29,743	15,275,276
Federal sources	807,072	-	519,081	1,326,153
Interdistrict sources	1,343,581	-	-	1,343,581
Total revenue	<u>19,703,443</u>	<u>1,196,592</u>	<u>1,095,055</u>	<u>21,995,090</u>
<b>Expenditures</b>				
Current:				
Instruction	13,255,459	-	-	13,255,459
Support services	6,325,549	18,571	-	6,344,120
Athletics	323,164	-	-	323,164
Food services	-	-	666,150	666,150
Community services	2,502	-	322,559	325,061
Capital outlay	55,264	1,594,914	50,130	1,700,308
Total expenditures	<u>19,961,938</u>	<u>1,613,485</u>	<u>1,038,839</u>	<u>22,614,262</u>
<b>Excess of Revenue (Under) Over Expenditures</b>	(258,495)	(416,893)	56,216	(619,172)
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 6)	-	-	150,000	150,000
Transfers out (Note 6)	(150,000)	-	-	(150,000)
Total other financing (uses) sources	<u>(150,000)</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(408,495)	(416,893)	206,216	(619,172)
<b>Fund Balances - Beginning of year</b>	<u>2,809,115</u>	<u>1,012,290</u>	<u>486,534</u>	<u>4,307,939</u>
<b>Fund Balances - End of year</b>	<u>\$ 2,400,620</u>	<u>\$ 595,397</u>	<u>\$ 692,750</u>	<u>\$ 3,688,767</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, 2015

**Net Change in Fund Balances - Total Governmental Funds** \$ (619,172)

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	\$ (1,112,966)	
Capitalized capital outlay	<u>1,736,671</u>	623,705

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		16,939
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Change in pension expense related to deferred items		36,511
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Compensated absences, as well as self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was paid out than was earned		<u>(14,573)</u>
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**Change in Net Position of Governmental Activities** **\$ 43,410**

# Clarenceville School District of Oakland and Wayne Counties

## Fiduciary Funds Statement of Net Position June 30, 2015

	Student Activities Agency Fund	Private Purpose Trust	<u>Total</u>
<b>Assets</b> - Cash and investments (Note 3)	\$ 80,632	\$ 20,902	\$ 101,534
<b>Liabilities</b>			
Accounts payable	-	250	250
Due to student activities	75,690	-	75,690
Due to other funds (Note 6)	4,942	-	4,942
Total liabilities	<u>80,632</u>	<u>250</u>	<u>80,882</u>
<b>Net Position</b> - Restricted for scholarships	<u>\$ -</u>	<u>\$ 20,652</u>	<u>\$ 20,652</u>

# Clarenceville School District of Oakland and Wayne Counties

## Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2015

	Private Purpose Trust
<b>Additions</b>	
Private donations	\$ 660
Interest	25
Total additions	685
<b>Deductions - Scholarships</b>	5,726
<b>Change in Net Position</b>	(5,041)
<b>Net Position - Beginning of year</b>	25,693
<b>Net Position - End of year</b>	\$ 20,652

# Clarenceville School District of Oakland and Wayne Counties

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## Notes to Financial Statements June 30, 2015

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

The accounting policies of the 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. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. 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, 2015**

## **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 revenues 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; (2) operating grants and contributions; and (3) capital 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, 2015

### 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, 2015**

## **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 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, 2015

### 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 20 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, 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 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, 2015**

## **Note I - 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 two types of items. 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 revenues from property taxes that are 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 other is the deferred inflow related to the pension plan.

**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:** Amounts for which there is 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, 2015

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

**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** – The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the School District has reported a Net Pension Liability of \$30,402,125 and a beginning deferred outflow for pension contributions of \$1,548,055 made subsequent to the September 30, 2013 measurement date, as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014.

Net position at June 30, 2014	\$ 18,033,988
Net pension liability	(30,402,125)
Deferred outflow for pension contributions	<u>1,548,055</u>
Net position at June 30, 2014 - as restated	<u>\$ (10,820,082)</u>

### 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.

# Clarenceville School District of Oakland and Wayne Counties

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## Notes to Financial Statements June 30, 2015

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

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 committed or assigned fund balance 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. 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 School Code and the State of Michigan Department of Treasury Letter No. 01-95.

### 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 has authorized investments as listed in the state statutory authority as listed above.

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2015

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

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 \$904,278 had \$654,278 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; 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.

**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 fair value and credit quality ratings of investments are as follows:

Investment	Fair Value	Rating	Rating Organization
Fidelity Public Fund Investment Trust	\$ 581,874	AAAm	S&P
Michigan Liquid Asset Fund	17,698	AAAm	S&P
MILAF-MAX	2,369,367	AAAm	S&P
Total investments	<u>\$ 2,968,939</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, 2015

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

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

	General Fund	Sinking Fund	Nonmajor Funds	Total
Receivables:				
Taxes	\$ 57,047	\$ 37,709	\$ -	\$ 94,756
Accounts	1,151	-	17,867	19,018
Due from other governmental units	3,011,767	6,500	7,853	3,026,120
Total receivables	<u>\$ 3,069,965</u>	<u>\$ 44,209</u>	<u>\$ 25,720</u>	<u>\$ 3,139,894</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 in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the School District had \$38,785 of unavailable revenue related to grant revenue earned but not received within the period of availability and had \$399,929 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, 2015

### Note 5 - Capital Assets

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

	Balance July 1, 2014	Additions/ Transfers	Disposals/ Transfers	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 1,106,646	\$ -	\$ -	\$ 1,106,646
Capital assets being depreciated:				
Buildings and building improvements	21,421,340	1,536,452	-	22,957,792
Furniture and equipment	5,644,659	200,219	-	5,844,878
Buses and other vehicles	731,243	-	-	731,243
Subtotal	27,797,242	1,736,671	-	29,533,913
Accumulated depreciation:				
Buildings and building improvements	9,455,323	892,847	-	10,348,170
Furniture and equipment	4,552,449	192,097	-	4,744,546
Buses and other vehicles	670,609	28,022	-	698,631
Subtotal	14,678,381	1,112,966	-	15,791,347
Net capital assets being depreciated	13,118,861	623,705	-	13,742,566
Net capital assets	<u>\$ 14,225,507</u>	<u>\$ 623,705</u>	<u>\$ -</u>	<u>\$ 14,849,212</u>

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	\$ -	\$ 4,942	\$ 4,942
Sinking Fund	3,855	-	3,855
Nonmajor governmental funds	284,755	-	284,755
Total	<u>\$ 288,610</u>	<u>\$ 4,942</u>	<u>\$ 293,552</u>



# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2015

### 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, 2015, the General Fund owed the Sinking Fund for the respective portion of tax collections which were not yet transferred by year end. Additionally, the General Fund owed the Capital Projects Fund for budgeted fund support that was not yet transferred by year end.

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	Total
Nonmajor governmental funds	\$ 150,000	\$ 150,000

General Fund transfers provide funding for capital projects. During the year, the General Fund transferred \$150,000 to the Capital Projects Fund.

### 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	\$ 521,304	\$ 98,444	\$ 83,871	\$ 535,877	\$ 67,655

### 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.

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2015

### 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. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides post-employment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and 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.

The 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.

The range of rates are as follows:

**School District**

July 1, 2013 – September 30, 2013	12.78% - 16.25%
October 1, 2013 – September 30, 2014	15.44% - 18.34%
October 1, 2014 - July 30 2015	18.76% - 23.07%

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, 2015 and 2014 were \$3,210,671 and \$2,543,917, respectively. Contributions include \$965,425 and \$555,387 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, 2015.

# Clarenceville School District of Oakland and Wayne Counties

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## Notes to Financial Statements June 30, 2015

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

**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.

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 that 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, 2015, the School District reported a liability of \$28,596,053 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013 which use updated procedures to roll forward the estimated liability to September 30, 2014. 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, 2014, the School District's proportion was 0.1298257 percent, there was no change of from its proportion as of September 30, 2013.

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2015

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

For the year ended June 30, 2015, the School District recognized pension expense of \$1,979,759 exclusive of payments to the System to fund the MPSERS UAAL stabilization rate. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Subsequent to the Measurement Date	Net Deferred Inflows (Outflows) of Resources as of the Measurement Date
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(1,055,133)
Net difference between projected and actual earnings on pension plan assets	-	3,161,305
Changes in proportion and differences between District's contributions and proportionate share of contributions	-	(8)
District's contributions subsequent to the measurement date	1,884,658	-
Total	<u>\$ 1,884,658</u>	<u>\$ 2,106,164</u>

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

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 515,957
2017	515,957
2018	515,957
2019	558,293
2020	-
Therafter	-
Total	<u>\$ 2,106,164</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.

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2015

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

**Actuarial Assumptions** - The total pension liability as of September 30, 2014 is based on the results of an actuarial valuation date of September 30, 2013 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.00 to 8.00 percent, net of investment and administrative expenses based on the groups
Rate of pay increases	3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

The actuarial assumptions used for the September 30, 2013 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.

**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.

# Clarenceville School District of Oakland and Wayne Counties

## Notes to Financial Statements June 30, 2015

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

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 %	4.8 %
Private Equity Pools	18 %	8.5 %
International Equity Pools	16 %	6.1 %
Fixed Income Pools	10 %	1.5 %
Real Estate & Infrastructure Pools	10 %	5.3 %
Real Return, Opportunistic, and Absolute Pool	16 %	6.3 %
Short Term Investment Pools	2 %	(0.2)%
Total	100 %	

**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 to 8.00 percent depending on the plan option, as well as 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 (7.00 percent) or 1.00 percentage point higher (9.00 percent) than the current rate:

1.00 percent decrease (7.00/6.00 percent)	Current Discount Rate (8.00/7.00 percent)	1.00 percent increase (9.00/8.00 percent)
\$ 37,701,406	\$ 28,596,053	\$ 20,924,659

**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, 2015, the School District reported a payable of approximately \$329,000 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

# Clarenceville School District of Oakland and Wayne Counties

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**Notes to Financial Statements**  
**June 30, 2015**

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

**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 5.52 percent to 6.45 percent of covered payroll for the period from July 1, 2014 to September 30, 2014, and from 2.20 percent to 2.71 percent of covered payroll for the period from October 1, 2014 through June 30, 2015 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.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2015, 2014, and 2013 were \$388,498, \$787,092, and \$984,694, respectively.

# Clarenceville School District of Oakland and Wayne Counties

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## Notes to Financial Statements June 30, 2015

### Note 10 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The School District is currently evaluating the impact this standard will have on the financial statements when adopted, during the School District's 2016 fiscal year.

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 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 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 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, 2015

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 2,376,400	\$ 2,320,492	\$ 2,307,257	\$ (13,235)
State sources	15,421,615	15,334,169	15,245,533	(88,636)
Federal sources	870,000	855,564	807,072	(48,492)
Interdistrict sources	1,307,177	1,395,473	1,343,581	(51,892)
Total revenue	19,975,192	19,905,698	19,703,443	(202,255)
<b>Expenditures - Current</b>				
Instruction:				
Basic program	9,878,690	9,672,425	9,589,413	(83,012)
Added needs	3,388,351	3,852,185	3,695,065	(157,120)
Total instruction	13,267,041	13,524,610	13,284,478	(240,132)
Support services:				
Pupil	1,154,141	1,235,094	1,195,835	(39,259)
Instructional staff	804,215	843,086	808,262	(34,824)
General administration	345,865	350,310	335,479	(14,831)
School administration	1,261,585	1,239,694	1,190,271	(49,423)
Business	446,227	444,240	433,931	(10,309)
Operations and maintenance	1,358,915	1,291,461	1,254,312	(37,149)
Pupil transportation services	656,700	657,179	620,803	(36,376)
Central	500,350	533,243	512,901	(20,342)
Total support services	6,527,998	6,594,307	6,351,794	(242,513)
Athletics	301,525	324,632	323,164	(1,468)
Community services	3,845	9,847	2,502	(7,345)
Total expenditures	20,100,409	20,453,396	19,961,938	(491,458)
<b>Excess of Revenue (Under) Over Expenditures</b>				
	(125,217)	(547,698)	(258,495)	289,203
Transfers out	(150,000)	(150,000)	(150,000)	-
<b>Net Change in Fund Balance</b>	(275,217)	(697,698)	(408,495)	289,203
<b>Fund Balance - Beginning of year</b>	2,809,115	2,809,115	2,809,115	-
<b>Fund Balance - End of year</b>	<u>\$ 2,533,898</u>	<u>\$ 2,111,417</u>	<u>\$ 2,400,620</u>	<u>\$ 289,203</u>

# Clarenceville School District of Oakland and Wayne Counties

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**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**

	2014
School District's proportion of the net pension liability (asset)	0.12983 %
School District's proportionate share of the net pension liability (asset)	\$ 28,596,053
School District's covered employee payroll	11,184,796
School District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	256.00 %
Plan fiduciary net position as a % of the total pension liability	66.20 %

# Clarenceville School District of Oakland and Wayne Counties

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## 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>2015</u>
Statutorily required contribution	\$ 2,386,357
Contributions in relation to the statutorily required contribution	2,386,357
Contribution deficiency (excess)	-
School District's covered employee payroll	10,954,128
Contributions as a percentage of covered employee payroll	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, 2015**

**Benefit Changes** - There were no changes of benefit terms in 2015.

**Changes in Assumptions** - There were no changes of benefit assumptions in 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, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Services Fund	Community Services Fund	Capital Projects Fund	
<b>Assets</b>				
Cash and investments	\$ 145,708	\$ 273,318	\$ 950	\$ 419,976
Receivables	4,953	20,767	-	25,720
Due from other funds	32,620	30,482	221,653	284,755
Inventories	6,707	-	-	6,707
Prepaid costs	-	147	-	147
<b>Total assets</b>	<b>\$ 189,988</b>	<b>\$ 324,714</b>	<b>\$ 222,603</b>	<b>\$ 737,305</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 896	\$ 8,658	\$ 5,368	\$ 14,922
Accrued payroll-related liabilities	3,806	20,401	-	24,207
Unearned revenue	4,436	990	-	5,426
<b>Total liabilities</b>	<b>9,138</b>	<b>30,049</b>	<b>5,368</b>	<b>44,555</b>
<b>Fund Balances</b>				
Nonspendable:				
Inventory	6,707	-	-	6,707
Prepaid assets	-	147	-	147
Restricted - Food service	174,143	-	-	174,143
Committed:				
Capital projects	-	-	217,235	217,235
Community service	-	294,518	-	294,518
<b>Total fund balances</b>	<b>180,850</b>	<b>294,665</b>	<b>217,235</b>	<b>692,750</b>
<b>Total liabilities and fund balances</b>	<b>\$ 189,988</b>	<b>\$ 324,714</b>	<b>\$ 222,603</b>	<b>\$ 737,305</b>

# 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, 2015

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Food Services Fund	Community Services Fund	Capital Projects Fund	
<b>Revenue</b>				
Local sources	\$ 158,584	\$ 387,647	\$ -	\$ 546,231
State sources	29,743	-	-	29,743
Federal sources	519,081	-	-	519,081
Total revenue	<u>707,408</u>	<u>387,647</u>	<u>-</u>	<u>1,095,055</u>
<b>Expenditures</b>				
Current:				
Food services	666,150	-	-	666,150
Community services	-	322,559	-	322,559
Capital outlay	4,478	-	45,652	50,130
Total expenditures	<u>670,628</u>	<u>322,559</u>	<u>45,652</u>	<u>1,038,839</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	36,780	65,088	(45,652)	56,216
<b>Other Financing Sources</b> - Transfers in	-	-	150,000	150,000
<b>Net Change in Fund Balances</b>	36,780	65,088	104,348	206,216
<b>Fund Balances</b> - Beginning of year	<u>144,070</u>	<u>229,577</u>	<u>112,887</u>	<u>486,534</u>
<b>Fund Balances</b> - End of year	<u>\$ 180,850</u>	<u>\$ 294,665</u>	<u>\$ 217,235</u>	<u>\$ 692,750</u>