

Clarenceville School District of Oakland and Wayne Counties

**Financial Report
with Supplemental Information
June 30, 2014**

Clarenceville School District of Oakland and Wayne Counties

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Independent Auditor's Report

To the Board of Education
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, 2014, and the related notes to the financial statements, which collectively comprise Clarenceville School District of Oakland and Wayne Counties' 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 Clarenceville School District of Oakland and Wayne Counties as of June 30, 2014 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 Education
Clarenceville School District of Oakland and
Wayne Counties

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedules 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 Clarenceville School District of Oakland and Wayne Counties' 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, 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, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014 on our consideration of Clarenceville School District of Oakland and Wayne Counties' 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 Clarenceville School District of Oakland and Wayne Counties' internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 15, 2014

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, 2014. 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

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

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 liabilities, 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, 2014 and 2013:

Table I

	Governmental Activities	
	June 30	
	2014	2013
	(in millions)	
Assets		
Current and other assets	\$ 7.7	\$ 8.1
Capital assets	14.2	13.7
Total assets	21.9	21.8
Liabilities		
Current liabilities	3.4	3.4
Long-term liabilities	0.5	0.6
Total liabilities	3.9	4.0
Net Position		
Net investment in capital assets	14.2	13.7
Restricted	1.2	1.3
Unrestricted	2.6	2.8
Total net position	\$ 18.0	\$ 17.8

Clarenceville School District of Oakland and Wayne Counties

Management's Discussion and Analysis (Continued)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$18.0 million at June 30, 2014. Net investment in capital assets, totaling \$14.2 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net position of \$1.2 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 position, at \$2.6 million, was unrestricted.

The \$2.6 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

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, 2014 and 2013.

Table 2

	Governmental Activities	
	2014	2013
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.7	\$ 0.7
Federal grants and entitlements	1.4	1.4
State categoricals	1.8	2.4
Operating grants	1.2	1.1
General revenue:		
Property taxes	3.3	3.4
State foundation allowance	13.4	12.0
Other	0.1	0.1
Total revenue	21.9	21.1

Clarenceville School District of Oakland and Wayne Counties

Management's Discussion and Analysis (Continued)

Table 2 (Continued)

	Governmental Activities	
	2014	2013
	(in millions)	
Functions/Program Expenses		
Instruction	\$ 12.9	\$ 12.6
Support services	6.5	6.1
Athletics	0.3	0.3
Food services	0.7	0.7
Community services	0.3	0.3
Depreciaton (unallocated)	1.0	1.0
Total functions/program expenses	21.7	21.0
Increase in Net Position	\$ 0.2	\$ 0.1

As reported in the statement of activities, the cost of all of our governmental activities this year was approximately \$21.7 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 \$4.4 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 \$200,000. Key reasons for the change in net position were the ongoing operations as well as renovation projects including continued classroom renovation and high school cafeteria construction. These improvements were made possible by the passage of the May 2006 ballot proposal to increase and extend the Sinking Fund of the School District.

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

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 \$4.3 million, which is a decrease of approximately \$450,000 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 \$370,000 to \$2.8 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. As a result of this increase, the Sinking Fund brings in enough revenue for it to now be considered a major fund. Fund balance decreased approximately \$170,000 during the year.

Within our special revenue funds, the Food Services Fund balance increased \$19,275 while the Community Services Fund increased \$30,849.

The fund balance in the Capital Projects Fund increased \$34,442 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.

Budgeted state source revenue was revised upwards approximately \$400,000 to reflect an increase in student enrollment (\$125,000), an increase in MPRSERS rate stabilization categoricals (\$100,000), and adjustments to other state categoricals.

Total expenditures reflected in the original 2013-2014 board-adopted budget were revised during the year. As the year progressed, revisions were made to salary and benefit accounts throughout the year to reflect anticipated program staffing during the year.

The actual revenue was approximately \$66,000 less than the final budget. Federal revenue was less than final budget as federally funded program expenditures were under budget for the current year by approximately \$145,000. This amount was offset by increases in other revenue categories.

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 and other financing uses were approximately \$225,000 less than the final budgeted amounts. The main reasons are as follows:

- Federally funded programs were under budget approximately \$148,000.
- Many departmental supply and purchase services accounts were unspent with balances remaining at year end of approximately \$75,000.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2014, the School District had approximately \$28.9 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 \$1.4 million from last year.

	2014	2013
Land	\$ 1,106,646	\$ 1,106,646
Buildings and building improvements	21,421,340	20,173,572
Buses and other vehicles	731,243	837,417
Furniture and equipment	5,644,659	5,368,786
Total capital assets	<u>\$ 28,903,888</u>	<u>\$ 27,486,421</u>

This year's net additions of \$1.4 million include approximately \$1,250,000 of building and site renovations and \$275,000 in furniture and equipment. During the course of the year, the School District disposed of two buses and a truck

For the 2013-2014 year, the School District began work on summer projects including Botsford restroom upgrades, athletic field renovations, the middle school parking lot addition, and middle school office and classroom renovations with an estimated total project cost of \$1,800,000. The School District is currently in the planning stages of determining future projects. We present more detailed information about our capital assets in the notes to the financial statements.

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, 2014 and 2013.

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 2015 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 2015 fiscal year is anticipated to be 90 and 10 percent of September 2014 and February 2015 enrollment, respectively. Based on early enrollment data, we anticipate that the fall student count will be approximately 30-40 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 2014-2015, the School District is assuming that it will receive an increase of \$50 in the state foundation allowance to \$8,099.

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, 2014

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 3,393,978
Receivables (Note 4)	3,341,661
Inventories	5,685
Prepaid costs and other assets	32,162
Restricted assets (Notes 1 and 3)	931,799
Capital assets - Net (Note 5)	<u>14,225,507</u>
Total assets	21,930,792
Liabilities	
Accounts payable	555,594
Accrued payroll-related liabilities	2,312,133
Due to other governmental units	153,575
Unearned revenue (Note 4)	354,198
Noncurrent liabilities (Note 7):	
Due within one year	72,836
Due in more than one year	<u>448,468</u>
Total liabilities	<u>3,896,804</u>
Net Position	
Net investment in capital assets	14,225,507
Restricted:	
Capital projects	1,012,290
Food service	144,070
Unrestricted	<u>2,652,121</u>
Total net position	<u><u>\$ 18,033,988</u></u>

Clarenceville School District of Oakland and Wayne Counties

Statement of Activities Year Ended June 30, 2014

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	\$ 12,884,203	\$ 5,510	\$ 2,544,436	\$ (10,334,257)
Support services	6,489,313	73,715	1,334,665	(5,080,933)
Athletics	312,673	62,161	12,473	(238,039)
Food services	657,283	161,435	548,849	53,001
Community services	321,497	377,341	-	55,844
Depreciation expense (unallocated)	1,001,105	-	-	(1,001,105)
Total primary government	\$ 21,666,074	\$ 680,162	\$ 4,440,423	(16,545,489)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				2,127,999
Property taxes, levied for sinking fund				1,164,708
State aid not restricted to specific purposes				13,416,297
Interest and investment earnings				4,663
Gain on the sale of capital assets				4,100
Other				62,910
Total general revenues				<u>16,780,677</u>
Change in Net Position				235,188
Net Position - Beginning of year				<u>17,798,800</u>
Net Position - End of year				<u>\$ 18,033,988</u>

Clarenceville School District of Oakland and Wayne Counties

Governmental Funds Balance Sheet June 30, 2014

	General Fund	Sinking Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 3,026,700	\$ -	\$ 367,278	\$ 3,393,978
Receivables - Net (Note 4)	3,300,213	5,232	36,216	3,341,661
Due from other funds (Note 6)	3,220	296,410	107,887	407,517
Inventories	-	-	5,685	5,685
Prepaid costs	31,963	-	199	32,162
Restricted cash and investments (Notes 1 and 3)	-	931,799	-	931,799
Total assets	\$ 6,362,096	\$ 1,233,441	\$ 517,265	\$ 8,112,802
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 330,555	\$ 221,151	\$ 7,108	\$ 558,814
Accrued payroll-related liabilities	2,293,522	-	18,611	2,312,133
Due to other governmental units	153,575	-	-	153,575
Unearned revenue (Note 4)	349,186	-	5,012	354,198
Due to other funds (Note 6)	404,297	-	-	404,297
Total liabilities	3,531,135	221,151	30,731	3,783,017
Deferred Inflows of Resources -				
Unavailable revenue (Note 4)	21,846	-	-	21,846
Total liabilities and deferred inflows of resources	3,552,981	221,151	30,731	3,804,863
Fund Balances				
Nonspendable:				
Inventory	-	-	5,685	5,685
Prepaid assets	31,963	-	199	32,162
Restricted:				
Capital projects	-	1,012,290	-	1,012,290
Food service	-	-	138,385	138,385
Committed:				
Capital projects	-	-	112,887	112,887
Community service	-	-	229,378	229,378
Assigned - Budgeted use of fund balance in subsequent year	275,000	-	-	275,000
Unassigned	2,502,152	-	-	2,502,152
Total fund balances	2,809,115	1,012,290	486,534	4,307,939
Total liabilities and fund balances	\$ 6,362,096	\$ 1,233,441	\$ 517,265	\$ 8,112,802

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 June 30, 2014

Fund Balance Reported in Governmental Funds \$ 4,307,939

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	\$ 28,903,888	
Accumulated depreciation	<u>(14,678,381)</u>	14,225,507

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 21,846

Compensated absences are not due and payable in the current period and are not reported in the governmental funds (521,304)

Net Position of Governmental Activities **\$ 18,033,988**

Clarenceville School District of Oakland and Wayne Counties

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	General Fund	Sinking Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 2,345,181	\$ 1,164,796	\$ 538,776	\$ 4,048,753
State sources	15,241,795	-	25,970	15,267,765
Federal sources	855,753	-	522,878	1,378,631
Interdistrict sources	1,180,167	-	-	1,180,167
Total revenue	19,622,896	1,164,796	1,087,624	21,875,316
Expenditures				
Current:				
Instruction	13,025,948	-	-	13,025,948
Support services	6,485,177	12,354	-	6,497,531
Athletics	312,673	-	-	312,673
Food services	-	-	657,283	657,283
Community services	4,487	-	317,010	321,497
Capital outlay	78,134	1,318,989	115,558	1,512,681
Total expenditures	19,906,419	1,331,343	1,089,851	22,327,613
Excess of Expenditures Over Revenue	(283,523)	(166,547)	(2,227)	(452,297)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	4,100	-	-	4,100
Transfers in (Note 6)	63,207	-	150,000	213,207
Transfers out (Note 6)	(150,000)	-	(63,207)	(213,207)
Total other financing sources (uses)	(82,693)	-	86,793	4,100
Net Change in Fund Balances	(366,216)	(166,547)	84,566	(448,197)
Fund Balances - Beginning of year	3,175,331	1,178,837	401,968	4,756,136
Fund Balances - End of year	\$ 2,809,115	\$ 1,012,290	\$ 486,534	\$ 4,307,939

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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (448,197)

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	\$ (1,001,105)	
Capitalized capital outlay	<u>1,523,641</u>	522,536

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	21,846
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Compensated absences are recorded when earned in the statement of activities. In the current year, more was paid out than earned	<u>139,003</u>
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Change in Net Position of Governmental Activities \$ 235,188

Clarenceville School District of Oakland and Wayne Counties

Fiduciary Funds Statement of Net Position June 30, 2014

	Student Activities <u>Agency Fund</u>	Private Purpose Trust <u>Purpose Trust</u>	<u>Total</u>
Assets - Cash and investments (Note 3)	\$ 78,473	\$ 28,693	\$ 107,166
Liabilities			
Accounts payable	-	3,000	3,000
Due to student activities	75,253	-	75,253
Due to other funds (Note 6)	3,220	-	3,220
Total liabilities	<u>78,473</u>	<u>3,000</u>	<u>81,473</u>
Net Position - Restricted for scholarships	<u>\$ -</u>	<u>\$ 25,693</u>	<u>\$ 25,693</u>

Clarenceville School District of Oakland and Wayne Counties

Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2014

	Private Purpose Trust
Additions	\$ 33
Deductions - Scholarships	<u>5,850</u>
Change in Net Position	(5,817)
Net Position - Beginning of year	<u>31,510</u>
Net Position - End of year	<u><u>\$ 25,693</u></u>

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2014

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, 2014

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

Notes to Financial Statements June 30, 2014

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

**Notes to Financial Statements
June 30, 2014**

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, 2014**

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 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 Inflows of Resources - In addition to liabilities, the statement of net 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 only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: federal revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Clarenceville School District of Oakland and Wayne Counties

**Notes to Financial Statements
June 30, 2014**

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

Fund Balance - Fund balance classifications that comprise a hierarchy are based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are comprised of the following - nonspendable, restricted, committed, assigned, and unassigned.

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.

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

Notes to Financial Statements June 30, 2014

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.

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

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2014

Note 3 - Deposits and Investments (Continued)

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 \$939,310 had \$689,310 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	\$ 881,799	AAAm	S&P
Michigan Liquid Asset Fund	17,726	AAAm	S&P
MILAF-MAX	2,670,555	AAAm	S&P
Total investments	\$ 3,570,080		

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, 2014

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	\$ 3,836	\$ 1,732	\$ -	\$ 5,568
Accounts	10,456	-	28,853	39,309
Due from other governmental units	<u>3,285,921</u>	<u>3,500</u>	<u>7,363</u>	<u>3,296,784</u>
Total receivables	<u>\$ 3,300,213</u>	<u>\$ 5,232</u>	<u>\$ 36,216</u>	<u>\$ 3,341,661</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 \$21,846 of unavailable revenue related to grant revenue earned but not received within the period of availability and had \$354,198 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, 2014

Note 5 - Capital Assets

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

	Balance July 1, 2013	Additions/ Transfers	Disposals/ Transfers	Balance June 30, 2014
Governmental Activities				
Capital assets not being depreciated - Land	\$ 1,106,646	\$ -	\$ -	\$ 1,106,646
Capital assets being depreciated:				
Buildings and building improvements	20,173,572	1,247,768	-	21,421,340
Furniture and equipment	5,368,786	275,873	-	5,644,659
Buses and other vehicles	837,417	-	106,174	731,243
Subtotal	26,379,775	1,523,641	106,174	27,797,242
Accumulated depreciation:				
Buildings and building improvements	8,681,754	773,569	-	9,455,323
Furniture and equipment	4,352,935	199,514	-	4,552,449
Buses and other vehicles	748,761	28,022	106,174	670,609
Subtotal	13,783,450	1,001,105	106,174	14,678,381
Net capital assets being depreciated	12,596,325	522,536	-	13,118,861
Net capital assets	<u>\$ 13,702,971</u>	<u>\$ 522,536</u>	<u>\$ -</u>	<u>\$ 14,225,507</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 active construction projects at year end. The projects are funded by the Sinking Fund. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2014 Summer Renovations	\$ 53,142	\$ 1,775,150

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	\$ -	\$ 3,220	\$ 3,220
Sinking Fund	296,410	-	296,410
Nonmajor governmental funds	107,887	-	107,887
Total	<u>\$ 404,297</u>	<u>\$ 3,220</u>	<u>\$ 407,517</u>

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2014

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, 2014, 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		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 63,207	\$ 63,207
Nonmajor governmental funds	150,000	-	150,000
Total	\$ 150,000	\$ 63,207	\$ 213,207

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

The transfers to the General Fund from the Food Services Fund and the Community Services Fund represent the reimbursement of indirect costs paid for by the General 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	\$ 660,307	\$ 78,692	\$ 217,695	\$ 521,304	\$ 72,836

Clarenceville School District of Oakland and Wayne Counties

**Notes to Financial Statements
June 30, 2014**

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 - Defined Benefit Pension Plan and Postemployment Benefits

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

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required 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 Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2014

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. For the period from July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21 %	15.02 %	15.02 %	12.78 %	12.78 %	12.78 %	15.21 %
Health contributions	9.11 %	9.11 %	8.18 %	8.18 %	9.11 %	8.18 %	8.18 %
Defined contribution plan employer contributions:							
DC employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

* First worked September 4, 2012 or later

For the period from October 1, 2013 through June 30, 2014, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34 %	18.11 %	18.11 %	15.44 %	15.44 %	15.44 %	18.34 %
Health contributions	6.45 %	6.45 %	5.52 %	5.52 %	6.45 %	5.52 %	5.52 %
Defined contribution plan employer contributions:							
DC employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

* First worked September 4, 2012 or later

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2014

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

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, 2014, 2013, and 2012 were \$2,543,917, \$1,729,135, and \$1,580,701, respectively.

Postemployment Benefits - 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 8.18 percent to 9.11 percent of covered payroll for the period from July 1, 2013 through September 30, 2013, and from 5.52 percent to 6.45 percent of covered payroll for the period October 1, 2013 through June 30, 2014 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 401k account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2014, 2013, and 2012 were \$787,092, \$984,694, and \$894,078, respectively.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2014

Note 10 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted; however, the impact is expected to be material. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Required Supplemental Information

Clarenceville School District of Oakland and Wayne Counties

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 2,347,232	\$ 2,360,254	\$ 2,345,181	\$ (15,073)
State sources	14,746,268	15,146,578	15,241,795	95,217
Federal sources	1,021,784	1,000,577	855,753	(144,824)
Interdistrict sources	1,188,784	1,181,884	1,180,167	(1,717)
Total revenue	19,304,068	19,689,293	19,622,896	(66,397)
Expenditures - Current				
Instruction:				
Basic program	9,716,751	9,581,546	9,553,493	(28,053)
Added needs	3,568,372	3,559,228	3,503,798	(55,430)
Total instruction	13,285,123	13,140,774	13,057,291	(83,483)
Support services:				
Pupil	1,240,577	1,329,164	1,332,474	3,310
Instructional staff	749,258	737,362	687,323	(50,039)
General administration	350,522	433,405	432,605	(800)
School administration	1,235,495	1,279,596	1,268,278	(11,318)
Business	433,916	418,805	408,658	(10,147)
Operations and maintenance	1,327,731	1,352,377	1,318,720	(33,657)
Pupil transportation services	694,277	604,914	588,775	(16,139)
Central	481,370	510,112	495,135	(14,977)
Total support services	6,513,146	6,665,735	6,531,968	(133,767)
Athletics	281,621	313,967	312,673	(1,294)
Community services	-	10,564	4,487	(6,077)
Total expenditures	20,079,890	20,131,040	19,906,419	(224,621)
Excess of Revenue (Under) Over Expenditures	(775,822)	(441,747)	(283,523)	158,224
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	4,100	4,100
Transfers in	-	-	63,207	63,207
Transfers out	(150,000)	(150,000)	(150,000)	-
Total other financing (uses) sources	(150,000)	(150,000)	(82,693)	67,307
Net Change in Fund Balance	(925,822)	(591,747)	(366,216)	225,531
Fund Balance - Beginning of year	3,175,331	3,175,331	3,175,331	-
Fund Balance - End of year	\$ 2,249,509	\$ 2,583,584	\$ 2,809,115	\$ 225,531

Other Supplemental Information

Clarenceville School District of Oakland and Wayne Counties

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Services Fund	Community Services Fund	Capital Projects Fund	
Assets				
Cash and investments	\$ 142,834	\$ 219,444	\$ 5,000	\$ 367,278
Accounts receivable	4,155	32,061	-	36,216
Due from other funds	-	-	107,887	107,887
Inventories	5,685	-	-	5,685
Prepaid costs	-	199	-	199
Total assets	\$ 152,674	\$ 251,704	\$ 112,887	\$ 517,265
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 251	\$ 6,857	\$ -	\$ 7,108
Accrued payroll-related liabilities	3,341	15,270	-	18,611
Unearned revenue	5,012	-	-	5,012
Total liabilities	8,604	22,127	-	30,731
Fund Balances				
Nonspendable:				
Inventory	5,685	-	-	5,685
Prepaid assets	-	199	-	199
Restricted - Food service	138,385	-	-	138,385
Committed:				
Capital projects	-	-	112,887	112,887
Community service	-	229,378	-	229,378
Total fund balances	144,070	229,577	112,887	486,534
Total liabilities and fund balances	\$ 152,674	\$ 251,704	\$ 112,887	\$ 517,265

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, 2014

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Food Services Fund	Community Services Fund	Capital Projects Fund	
Revenue				
Local sources	\$ 161,435	\$ 377,341	\$ -	\$ 538,776
State sources	25,970	-	-	25,970
Federal sources	522,878	-	-	522,878
Total revenue	<u>710,283</u>	<u>377,341</u>	<u>-</u>	<u>1,087,624</u>
Expenditures				
Current:				
Food services	657,283	-	-	657,283
Community services	-	317,010	-	317,010
Capital outlay	-	-	115,558	115,558
Total expenditures	<u>657,283</u>	<u>317,010</u>	<u>115,558</u>	<u>1,089,851</u>
Excess of Revenue Over (Under) Expenditures	53,000	60,331	(115,558)	(2,227)
Other Financing Sources (Uses)				
Transfers in	-	-	150,000	150,000
Transfers out	(33,725)	(29,482)	-	(63,207)
Total other financing (uses) sources	<u>(33,725)</u>	<u>(29,482)</u>	<u>150,000</u>	<u>86,793</u>
Net Change in Fund Balances	19,275	30,849	34,442	84,566
Fund Balances - Beginning of year	<u>124,795</u>	<u>198,728</u>	<u>78,445</u>	<u>401,968</u>
Fund Balances - End of year	<u><u>\$ 144,070</u></u>	<u><u>\$ 229,577</u></u>	<u><u>\$ 112,887</u></u>	<u><u>\$ 486,534</u></u>