

Clarenceville School District of Oakland and Wayne Counties

**Financial Report
with Supplemental Information
June 30, 2013**

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, 2013 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clarenceville School District of Oakland and Wayne Counties as of June 30, 2013 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

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, the School District adopted the provisions of GASB Statements 63 and 65, as of July 1, 2012. Our opinion is not modified with respect to this matter.

Required Supplemental Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clarenceville School District of Oakland and Wayne Counties' internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 30, 2013

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, 2013. 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 Service 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, 2013 and 2012:

TABLE I

	Governmental Activities	
	2013	2012
	(in millions)	
Assets		
Current and other assets	\$ 8.1	\$ 8.3
Capital assets	13.7	13.1
Total assets	21.8	21.4
Liabilities		
Current liabilities	3.4	3.1
Long-term liabilities	0.6	0.6
Total liabilities	4.0	3.7
Net Position		
Net investment in capital assets	13.7	13.2
Restricted	1.3	1.3
Unrestricted	2.8	3.2
Total net position	<u>\$ 17.8</u>	<u>\$ 17.7</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 position was \$17.8 million at June 30, 2013. Net investment in capital assets totaling \$13.7 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 \$1.3 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 \$2.8 million, was unrestricted.

The \$2.8 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, 2013 and 2012.

TABLE 2

	Governmental Activities	
	2013	2012
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.7	\$ 0.6
Federal grants and entitlements	1.4	1.5
State categoricals	2.4	1.7
Operating grants	1.1	1.1
General revenue:		
Property taxes	3.4	3.8
State foundation allowance	12.0	12.2
Federal aid - Economic stabilization	-	0.2
Other	0.1	0.1
Total revenue	21.1	21.2

Clarenceville School District of Oakland and Wayne Counties

Management's Discussion and Analysis (Continued)

TABLE 2 (Continued):

	Governmental Activities	
	2013	2012
	(in millions)	
Functions/Program Expenses		
Instruction	\$ 12.6	\$ 12.1
Support services	6.1	5.9
Community services	0.3	0.3
Food services	0.7	0.6
Athletics	0.3	0.3
Depreciation (unallocated)	1.0	1.0
Total functions/program expenses	21.0	20.2
Increase in Net Position	\$ 0.1	\$ 1.0

As reported in the statement of activities, the cost of all of our governmental activities this year was approximately \$21.0 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 \$4.9 million). We paid for the remaining "public benefit" portion of our governmental activities with approximately \$3.4 million in taxes, \$12.0 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of approximately \$100,000. 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 \$4.8 million, which is a decrease of approximately \$450,000 from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance decreased approximately \$450,000 to \$3.2 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 \$50,000 during the year.

Within our special revenue funds, the Food Services Fund balance increased \$30,379 while the Community Services Fund increased \$72,400.

The fund balance in the Capital Projects Fund decreased \$64,323 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 \$900,000 to reflect an increase in student enrollment (\$320,000), a new MPRSERS rate stabilization categorical (\$200,000), and adjustments to other state categoricals.

Total expenditures reflected in the original 2012-2013 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 \$250,000 less than the final budget. The main reason included federal revenue being less than final budget as federally funded program expenditures were under budget for the current year. In addition, a worker's compensation surplus distribution was re-categorized as an expense offset rather than revenue.

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 \$600,000 less than the final budgeted amounts. The main reasons are as follows:

- Federally funded programs were under budget approximately \$120,000.
- Worker's compensation surplus distribution of \$58,000 was re-categorized as expense offset rather than revenue.
- Many departmental supply and purchase services accounts were unspent with balances remaining at year end of approximately \$125,000.
- Actual staff related expenditure accounts including wage and benefits were approximately \$300,000 less than final budget.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the School District had approximately \$27.5 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 \$1.5 million from last year.

	2013	2012
Land	\$ 1,106,646	\$ 1,106,646
Buildings and building improvements	20,173,572	18,938,413
Buses and other vehicles	837,417	837,417
Furniture and equipment	5,368,786	5,182,555
Total capital assets	<u>\$ 27,486,421</u>	<u>\$ 26,065,031</u>

This year's additions of \$1.4 million include approximately \$1,200,000 of building and site renovations and \$200,000 in furniture and equipment.

For the 2013-2014 year, the School District began approximately \$1,100,000 on summer projects including classroom renovations, fire alarms, auditorium air conditioning and Botsford parking lot expansion and reconfiguration. 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 the following bond outstanding as of June 30, 2013 and 2012:

	2013	2012
Durant Non-Plaintiff Bond	\$ -	\$ 35,216

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. The School District's statutorily imposed limit is approximately \$45 million.

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 2014 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 2014 fiscal year is anticipated to be 90 and 10 percent of September 2013 and February 2014, respectively. Based on early enrollment data prior to the start of the 2013-2014 school year, we anticipate that the fall student count will be approximately 10 students higher than the estimates used in creating the 2014 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 2013-2014, the School District is assuming that it will receive an increase of \$30 in the state foundation allowance of \$8,049.

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.

Clarenceville School District of Oakland and Wayne Counties

Management's Discussion and Analysis (Continued)

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, 2013

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 3,944,150
Receivables (Note 4)	3,175,612
Inventories	7,514
Prepaid costs and other assets	30,633
Restricted assets (Notes 1 and 3)	891,711
Capital assets - Net (Note 5)	<u>13,702,971</u>
Total assets	21,752,591
Liabilities	
Accounts payable	460,392
Accrued payroll-related liabilities	2,199,468
Due to other governmental units	200,598
Unearned revenue (Note 4)	433,026
Noncurrent liabilities (Note 7):	
Due within one year	68,870
Due in more than one year	<u>591,437</u>
Total liabilities	<u>3,953,791</u>
Net Position	
Net investment in capital assets	13,702,971
Restricted:	
Capital projects	1,178,837
Food Service	124,795
Unrestricted	<u>2,792,197</u>
Total net position	<u>\$ 17,798,800</u>

Clarenceville School District of Oakland and Wayne Counties

Statement of Activities Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 12,647,935	\$ 4,275	\$ 2,911,115	\$ (9,732,545)
Support services	6,142,037	53,151	1,469,780	(4,619,106)
Athletics	291,382	61,312	8,945	(221,125)
Food services	663,664	178,018	516,542	30,896
Community services	306,882	431,566	-	124,684
Interest	1,677	-	-	(1,677)
Depreciation expense (unallocated)	955,914	-	-	(955,914)
Total primary government	<u>\$ 21,009,491</u>	<u>\$ 728,322</u>	<u>\$ 4,906,382</u>	(15,374,787)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				2,203,514
Property taxes, levied for sinking fund				1,235,539
State aid not restricted to specific purposes				12,015,735
Federal sources - Unrestricted				3,647
Interest and investment earnings				5,168
Other				42,673
Total general revenue				<u>15,506,276</u>
Change in Net Position				131,489
Net Position - Beginning of year				<u>17,667,311</u>
Net Position - End of year				<u>\$ 17,798,800</u>

Clarenceville School District of Oakland and Wayne Counties

Governmental Funds Balance Sheet June 30, 2013

	General Fund	Sinking Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 3,693,657	\$ -	\$ 250,493	\$ 3,944,150
Receivables - Net (Note 4)	3,038,266	30,066	107,280	3,175,612
Due from other funds (Note 6)	4,503	532,153	68,445	605,101
Inventories	-	-	7,514	7,514
Prepaid costs	30,502	-	131	30,633
Restricted cash and investments (Notes 1 and 3)	-	891,711	-	891,711
	<u>\$ 6,766,928</u>	<u>\$ 1,453,930</u>	<u>\$ 433,863</u>	<u>\$ 8,654,721</u>
Total assets				
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 180,409	\$ 275,093	\$ 9,393	\$ 464,895
Accrued payroll-related liabilities	2,180,798	-	18,670	2,199,468
Due to other governmental units	200,598	-	-	200,598
Unearned revenue (Note 4)	429,194	-	3,832	433,026
Due to other funds (Note 6)	600,598	-	-	600,598
	<u>3,591,597</u>	<u>275,093</u>	<u>31,895</u>	<u>3,898,585</u>
Total liabilities				
Fund Balances				
Nonspendable:				
Inventory	-	-	7,514	7,514
Prepaid assets	30,502	-	131	30,633
Restricted:				
Capital projects	-	1,178,837	-	1,178,837
Food service	-	-	117,281	117,281
Committed:				
Capital projects	-	-	78,445	78,445
Community service	-	-	198,597	198,597
Assigned - Budgeted use of fund balance in subsequent year	925,822	-	-	925,822
Unassigned	2,219,007	-	-	2,219,007
	<u>3,175,331</u>	<u>1,178,837</u>	<u>401,968</u>	<u>4,756,136</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 6,766,928</u>	<u>\$ 1,453,930</u>	<u>\$ 433,863</u>	<u>\$ 8,654,721</u>

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, 2013

Fund Balance Reported in Governmental Funds \$ 4,756,136

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	\$ 27,486,421	
Accumulated depreciation	<u>(13,783,450)</u>	13,702,971

Compensated absences are not due and payable in the current period and are not reported in the governmental funds:

(660,307)

Net Position of Governmental Activities **\$ 17,798,800**

Clarenceville School District of Oakland and Wayne Counties

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	General Fund	Sinking Fund	Non-Major Funds	Total Governmental Funds
Revenue				
Local sources	\$ 2,378,949	\$ 1,235,627	\$ 555,094	\$ 4,169,670
State sources	14,398,741	-	56,727	14,455,468
Federal sources	901,585	-	496,711	1,398,296
Interdistrict sources	1,117,546	-	-	1,117,546
Total revenue	18,796,821	1,235,627	1,108,532	21,140,980
Expenditures				
Current:				
Instruction	12,655,885	-	-	12,655,885
Support services	6,077,073	19,311	-	6,096,384
Athletics	291,382	-	-	291,382
Food services	-	-	663,664	663,664
Community services	2,206	-	304,676	306,882
Debt service:				
Principal	-	-	35,219	35,219
Interest	-	-	1,677	1,677
Capital outlay	68,232	1,270,128	214,839	1,553,199
Total expenditures	19,094,778	1,289,439	1,220,075	21,604,292
Excess of Expenditures Over Revenue	(297,957)	(53,812)	(111,543)	(463,312)
Other Financing Sources (Uses)				
Transfers in (Note 6)	-	-	150,000	150,000
Transfers out (Note 6)	(150,000)	-	-	(150,000)
Net Change in Fund Balances	(447,957)	(53,812)	38,457	(463,312)
Fund Balances - Beginning of year	3,623,288	1,232,649	363,511	5,219,448
Fund Balances - End of year	\$ 3,175,331	\$ 1,178,837	\$ 401,968	\$ 4,756,136

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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (463,312)

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	\$ (955,914)	
Capitalized capital outlay	<u>1,504,139</u>	548,225

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		35,219
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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>11,357</u>
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Change in Net Position of Governmental Activities **\$ 131,489**

Clarenceville School District of Oakland and Wayne Counties

Fiduciary Funds Statement of Net Position June 30, 2013

	Student Activities Agency Fund	Private Purpose Trust	<u>Total</u>
Assets - Cash and investments (Note 3)	\$ 78,230	\$ 35,360	\$ 113,590
Liabilities			
Accounts payable	-	3,850	3,850
Due to student activities	73,727	-	73,727
Due to other funds (Note 6)	4,503	-	4,503
Total liabilities	<u>78,230</u>	<u>3,850</u>	<u>82,080</u>
Net Position - Restricted for scholarships	<u>\$ -</u>	<u>\$ 31,510</u>	<u>\$ 31,510</u>

Clarenceville School District of Oakland and Wayne Counties

Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2013

	Private Purpose Trust
Additions	\$ 66
Deductions - Scholarships	<u>5,800</u>
Change in Net Position	(5,734)
Net Position - Beginning of year	<u>37,244</u>
Net Position - End of year	<u>\$ 31,510</u>

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2013

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, 2013

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.

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.

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.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2013

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

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 Service Funds maintained by the School District are the Food Services Fund and the Community Service Fund. Revenue sources for the Food Services Fund include sales to customers and state and federal grants. Revenue sources for the Community Service Fund consist primarily of tuition and fees charged to users. For the Community Service 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.

Debt Service Funds - The Non-Plaintiff Fund is used to record revenue from the State of Michigan and the payment of interest and principal on the Durant Non-Plaintiff Bond.

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.

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.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements
June 30, 2013

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

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 property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

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.

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.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2013

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

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 government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2013

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

- Assigned: Intent to spend resources on specific purposes expressed by the Board of Education.
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

Accounting Change - Effective July 1, 2012, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in *FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure*. This statement did not have a significant impact on the School District's financial statements.

Effective July 1, 2012, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement impacted the format and report of the balance sheet at the government-wide and also at the fund level.

Also effective July 1, 2012, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2013

Note 2 - Stewardship, Compliance, and Accountability

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

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as 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 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, 2013

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 \$618,156 had \$368,156 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	\$ 881,711	AAAm	S&P
Michigan Liquid Asset Fund	17,748	AAAm	S&P
MILAF-MAX	3,569,783	AAAm	S&P
Total investments	<u>\$ 4,469,242</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, 2013

Note 4 - Receivables and Unavailable/Unearned Revenue

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

	General Fund	Sinking Fund	Nonmajor Funds	Total
Receivables:				
Taxes	\$ 43,334	\$ 28,066	\$ -	\$ 71,400
Accounts	1,656	-	17,623	19,279
Due from other governmental units	<u>2,993,276</u>	<u>2,000</u>	<u>89,657</u>	<u>3,084,933</u>
Total receivables	<u>\$ 3,038,266</u>	<u>\$ 30,066</u>	<u>\$ 107,280</u>	<u>\$ 3,175,612</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 various components of unearned and unavailable revenue are as follows:

	Governmental Funds
	<u>Liability - Unearned</u>
Payments received in advance of services rendered	<u>\$ 433,026</u>

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets

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

	Balance July 1, 2012	Additions/ Transfers	Disposals/ Transfers	Balance June 30, 2013
Governmental Activities				
Capital assets not being depreciated - Land	\$ 1,106,646	\$ -	\$ -	\$ 1,106,646
Capital assets being depreciated:				
Buildings and building improvements	18,938,413	1,235,159	-	20,173,572
Furniture and equipment	5,182,555	268,980	82,749	5,368,786
Buses and other vehicles	837,417	-	-	837,417
Subtotal	24,958,385	1,504,139	82,749	26,379,775
Accumulated depreciation:				
Buildings and building improvements	7,959,540	722,214	-	8,681,754
Furniture and equipment	4,240,036	195,648	82,749	4,352,935
Buses and other vehicles	710,709	38,052	-	748,761
Subtotal	12,910,285	955,914	82,749	13,783,450
Net capital assets being depreciated	12,048,100	548,225	-	12,596,325
Net capital assets	\$ 13,154,746	\$ 548,225	\$ -	\$ 13,702,971

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
2013 Summer Renovations	\$ 61,196	\$ 1,248,508
H.S. Cafeteria renovation	1,796,135	5,000
Total	\$ 1,857,331	\$ 1,253,508

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	\$ -	\$ 4,503	\$ 4,503
Sinking Fund	532,153	-	532,153
Non-major governmental Funds	68,445	-	68,445
Total	\$ 600,598	\$ 4,503	\$ 605,101

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2013

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, 2013, 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

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

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 35,219	\$ -	\$ 35,219	\$ -	\$ -
Compensated absences	671,664	68,964	80,321	660,307	68,870
Total long-term obligation payable	\$ 706,883	\$ 68,964	\$ 115,540	\$ 660,307	\$ 68,870

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2013

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 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 supplemental information for the pension and post-employment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing MI 48909.

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. The employer contribution rate for basic plan members was 15.96 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. The employer contribution rate for pension plus plan members was 14.73 percent for the period from July 1, 2012 through September 30, 2012. Beginning October 1, 2012 through January 31, 2013 employees were given the following plan options with the corresponding employer contribution rates:

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2013

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

	First Worked before July 1, 2010*	First Worked on or after July 1, 2010, through September 3, 2012**	First Worked on or after September 4, 2012 and remain Pension Plus	First worked on or after September 4, 2012 and elect DC
Pension Contributions	16.25 %	15.02 %	15.02 %	12.78 %
Health Contributions	9.11 %	9.11 %	8.18 %	8.18 %

* Basic, MIP Fixed, MIP Graded, MIP Plus

** Pension Plus

For the period from February 1, 2013 through June 30, 2013, employees could transition to a defined contribution plan (DC), and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF), depending upon their date of hire and retirement plan election. Employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	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

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.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2013

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

The School District's required and actual contributions to the plan for the years ended June 30, 2013, 2012, and 2011 were \$1,729,135, \$1,580,701, and \$1,269,669, 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 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 was 8.5 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. For the period from October 1, 2012 through June 30, 2013 the employer contribution rate ranged from 8.18 percent to 9.11 percent dependent upon the employee's date of hire and plan election as noted above. Effective February 1, 2013 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 401(k) account.

The School District's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2013, 2012, and 2011 were \$984,694, \$894,078, and \$866,256, respectively.

Clarenceville School District of Oakland and Wayne Counties

Notes to Financial Statements June 30, 2013

Note 10 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB 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 supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for 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, 2013

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 2,400,055	\$ 2,403,232	\$ 2,378,949	\$ (24,283)
State sources	13,546,792	14,455,343	14,398,741	(56,602)
Federal sources	957,631	1,021,784	901,585	(120,199)
Interdistrict sources	1,107,361	1,169,230	1,117,546	(51,684)
Total revenue	18,011,839	19,049,589	18,796,821	(252,768)
Expenditures - Current				
Instruction:				
Basic program	9,251,168	9,453,108	9,203,871	(249,237)
Added needs	3,352,432	3,570,304	3,509,061	(61,243)
Total instruction	12,603,600	13,023,412	12,712,932	(310,480)
Support services:				
Pupil	1,118,079	1,208,944	1,184,468	(24,476)
Instructional staff	686,382	745,290	627,882	(117,408)
General administration	364,517	332,844	312,196	(20,648)
School administration	1,212,060	1,264,584	1,247,024	(17,560)
Business	425,654	437,285	422,836	(14,449)
Operations and maintenance	1,343,209	1,260,368	1,237,961	(22,407)
Pupil transportation services	674,894	670,407	618,490	(51,917)
Central	429,178	477,366	437,401	(39,965)
Total support services	6,253,973	6,397,088	6,088,258	(308,830)
Athletics	269,975	299,121	291,382	(7,739)
Community services	-	-	2,206	2,206
Total expenditures	19,127,548	19,719,621	19,094,778	(624,843)
Excess of Revenue (Under) Over Expenditures	(1,115,709)	(670,032)	(297,957)	372,075
Transfers Out	(150,000)	(150,000)	(150,000)	-
Net Change in Fund Balance	(1,265,709)	(820,032)	(447,957)	372,075
Fund Balance - Beginning of year	3,623,288	3,623,288	3,623,288	-
Fund Balance - End of year	<u>\$ 2,357,579</u>	<u>\$ 2,803,256</u>	<u>\$ 3,175,331</u>	<u>\$ 372,075</u>

Other Supplemental Information

Clarenceville School District of Oakland and Wayne Counties

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Services Fund	Community Services Fund	Capital Projects Fund	
Assets				
Cash and investments	\$ 39,263	\$ 201,230	\$ 10,000	\$ 250,493
Accounts receivable	85,655	21,625	-	107,280
Due from other funds	-	-	68,445	68,445
Inventories	7,514	-	-	7,514
Prepaid costs	-	131	-	131
Total assets	\$ 132,432	\$ 222,986	\$ 78,445	\$ 433,863
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 811	\$ 8,582	\$ -	\$ 9,393
Accrued payroll-related liabilities	2,994	15,676	-	18,670
Unearned revenue	3,832	-	-	3,832
Total liabilities	7,637	24,258	-	31,895
Fund Balances				
Nonspendable:				
Inventory	7,514	-	-	7,514
Prepaid assets	-	131	-	131
Restricted -				
Food service	117,281	-	-	117,281
Committed:				
Capital projects	-	-	78,445	78,445
Community service	-	198,597	-	198,597
Total fund balances	124,795	198,728	78,445	401,968
Total liabilities and fund balances	\$ 132,432	\$ 222,986	\$ 78,445	\$ 433,863

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, 2013

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Food Services Fund	Community Services Fund	Debt Service Fund	Capital Projects Fund	
Revenue					
Local sources	\$ 178,018	\$ 377,076	\$ -	\$ -	\$ 555,094
State sources	19,831	-	36,896	-	56,727
Federal sources	496,711	-	-	-	496,711
Total revenue	694,560	377,076	36,896	-	1,108,532
Expenditures					
Current:					
Food services	663,664	-	-	-	663,664
Community services	-	304,676	-	-	304,676
Debt service:					
Principal	-	-	35,219	-	35,219
Interest	-	-	1,677	-	1,677
Capital outlay	516	-	-	214,323	214,839
Total expenditures	664,180	304,676	36,896	214,323	1,220,075
Excess of Revenue Over (Under)					
Expenditures	30,380	72,400	-	(214,323)	(111,543)
Other Financing Sources -					
Transfers in	-	-	-	150,000	150,000
Net Change in Fund Balances	30,380	72,400	-	(64,323)	38,457
Fund Balances - Beginning of year	94,415	126,328	-	142,768	363,511
Fund Balances - End of year	\$ 124,795	\$ 198,728	\$ -	\$ 78,445	\$ 401,968