

**Clawson Public Schools**  
**Financial Statements**  
**June 30, 2018**



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**Clawson Public Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2018**

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Members of the Board of Education

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## Independent Auditors' Report

To the Board of Education  
Clawson Public Schools  
Clawson, MI

### Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clawson Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### *Auditors' 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 auditors' 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 Clawson Public Schools, as of June 30, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Adoption of New Accounting Standards***

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

## **Other Matters:**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clawson Public Schools' basic financial statements. Other supplementary 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 supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2018 on our consideration of Clawson Public Schools 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 solely 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 effectiveness of Clawson Public Schools' 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 Clawson Public Schools internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Flint, MI  
October 4, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Clawson Public Schools  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**



This section of Clawson Public Schools' annual financial report presents management's discussion and analysis of the School District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

**Overview of Annual Financial Report**

This annual report consists of a series of financial statements and notes to the statements presented in four sections as follows:

Management's Discussion and Analysis (MD & A)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Budgetary Comparison Schedule – General Fund

Schedule of the School District's Proportionate Share of Net Pension Liability

Schedule of the School District's Pension Contributions

Schedule of the School District's Proportionate Share of Net OPEB Liability

Schedule of the School District's OPEB Contributions

Other Supplementary Information

Combining Statements for Nonmajor Governmental Funds

Schedule of Outstanding Bonded Indebtedness

The District-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 most significant funds – the General Fund, Debt Service Fund, and 2014 Capital Projects Fund, with all other funds presented in one column as Nonmajor Governmental Funds. The Statements for the Fiduciary Funds present financial information about activities for which the School District acts solely as an agent or trustee for the benefit of students and parents. The remaining statements include Combining Statements of Nonmajor Governmental Fund Types.

**Clawson Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

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

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. These statements 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 revenues 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 difference between revenues 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 on 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 and not on the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes such as the Food Service Fund. Funds are also established to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. 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 reports only those assets that are "measurable" and "currently available". Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

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 is used to help determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship between governmental activities and governmental funds is shown in a reconciliation format in the financial section on pages 4-3 and 4-6.

**Clawson Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

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

The School District acts as the trustee for its trust funds and student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary assets and liabilities and changes in fiduciary net position. These activities are excluded 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 the assets reported in these funds are used for their intended purposes.

**Summary of Net Position**

The Statement of Net Position provides the perspective of the School District as a whole. The School District's net position (deficit) totaled \$(18,405,713) and \$(27,180,347) at June 30, 2017 and 2018, respectively. Of those amounts, \$159,983 and \$0 were restricted. Restricted net position amounts are reported separately to highlight any legal constraints included in debt covenants and legislation that may limit the School District's ability to use those net position for day-to-day operations. Net investment in capital assets totaled \$9,369,702 and \$10,096,880. This represents the original cost of capital assets less accumulated depreciation and net of the long-term debt used to finance the acquisition of those assets.

The unrestricted net position (deficit) at June 30, 2018, of \$(37,277,227) represents the cumulative results of all past years' operations and includes the GASB 68 Unfunded Liability.

The following is a summary of the School District's net position at June 30, 2017 and 2018.

**Clawson Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

	June 30, 2017	June 30, 2018
<b>Assets</b>		
Current assets	\$ 5,643,731	\$ 5,341,004
Capital assets	68,580,634	68,646,897
Less: Accumulated depreciation	(33,475,261)	(35,398,694)
Capital assets, net book value	35,105,373	33,248,203
Total assets	40,749,104	38,589,207
<b>Deferred outflows of resources</b>		
Deferred amount on debt refunding	406,843	314,742
Deferred amount related to net pension liability	3,861,193	6,087,389
Deferred amount related to net OPEB liability	-	614,499
Total assets and deferred outflows of resources	45,017,140	45,605,837
<b>Liabilities</b>		
Current liabilities	5,272,354	2,392,128
Long-term liabilities	55,939,743	64,732,080
Total liabilities	61,212,097	67,124,208
<b>Deferred inflows of resources</b>		
Deferred amount related to net pension liability	2,210,756	5,316,582
Deferred amount related to net OPEB liability	-	345,394
Total liabilities and deferred inflows of resources	63,422,853	72,786,184
<b>Net Position</b>		
Net investment in capital assets	9,369,702	10,096,880
Restricted for debt service	151,577	-
Restricted for food service	8,406	-
Unrestricted	(27,935,398)	(37,277,227)
Total net position	\$ (18,405,713)	\$ (27,180,347)

**Clawson Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**Analysis of Financial Position**

During the fiscal year ended June 30, 2018, the District's net position decreased (See Results of Operations section). A few of the significant factors affecting net assets during the year are discussed below:

**A. General Fund Operations**

See the section entitled Results of Operations below, for further discussion of General Fund operations.

**B. Debt, Principal Payments**

The District continued to pay-down long-term debt during fiscal year 2018.

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
2017 Refunding	\$ 4,265,000	\$ -	\$ -	\$ 4,265,000
2016 Refunding	6,855,000	-	-	6,855,000
2015 Refunding	1,705,000	-	1,705,000	-
2014 Building & Site Bonds	8,665,000	-	340,000	8,325,000
2011 Technology Bond	1,915,000	-	480,000	1,435,000
2009 Building & site bonds	1,205,000	-	150,000	1,055,000
	<u>\$ 24,610,000</u>	<u>\$ -</u>	<u>\$ 2,675,000</u>	<u>\$ 21,935,000</u>

**Clawson Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**C. Net Investment in Capital Assets**

The District's net investment in capital assets increased by about \$800,000 during the fiscal year as a result of additions exceeding depreciation and change in related debt. Change in Capital Assets is as follows:

	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
Capital Assets	\$ 68,580,634	\$ 534,813	\$ 468,550	\$ 68,646,897
Less: Accumulated depreciation	<u>(33,475,261)</u>	<u>\$ (1,923,433)</u>	<u>\$ -</u>	<u>(35,398,694)</u>
Net capital assets being depreciated	<u>\$ 35,105,373</u>	<u>\$ (1,388,620)</u>	<u>\$ 468,550</u>	<u>\$ 33,248,203</u>

In May 2011, the voters approved a \$4,145,000 technology bond for 10 years.

In February 2014, Clawson voters approved a building and site bond issue in the amount of \$9,300,000. The proceeds from this bond issue are being used for remodeling, equipping, re-equipping, furnishing, and re-furnishing school buildings and other facilities to enhance security and for other purposes. Proceeds are also being used for preparing, developing and improving sites at school buildings and other facilities.

**D. Adoption of GASB 75**

In 2017/18 there is a decrease in net position. It is not reasonable to compare the summary of net position for the two fiscal years due to the adoption of GASB 75 which required the inclusion of a liability of \$10,216,574, representing the district's share of OPEB liability for the MPSERS reporting unit.

**Clawson Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**Results of Operations**

For fiscal years ending June 30, 2017 and 2018, the district wide results of operations were:

	<u>June 30, 2017</u>	<u>June 30, 2018</u>		<u>June 30, 2017</u>	<u>June 30, 2018</u>
<b>Revenues</b>			<b>Expenses</b>		
General Revenues:			Governmental activities		
Property taxes - general operations	\$ 1,825,924	\$ 1,861,307	Instruction	\$ 13,804,687	\$ 13,736,794
Property taxes - debt service	3,001,965	3,102,135	Supporting Services	8,699,781	8,132,720
State unrestricted foundation aid	11,429,655	11,009,471	Food services	676,276	670,134
Other general revenues	<u>554,451</u>	<u>89,553</u>	Community services	905,849	842,651
Total general revenues	16,811,995	16,062,466	Interest and other charges	<u>860,263</u>	<u>730,444</u>
Operating Grants:			Total expenses	<u>24,946,856</u>	<u>24,112,743</u>
Federal	1,013,538	1,031,413			
State of Michigan	3,828,646	3,366,935	Change in net position	978,019	1,070,246
Other operating grants	<u>2,657,413</u>	<u>3,091,068</u>			
Total operating grants	7,499,597	7,489,416			
Charges for services:			Beginning net position	<u>(19,383,732)</u>	<u>(28,250,593)</u>
Food service	268,479	254,349			
Community services	938,193	982,192			
Other charges for services	<u>406,611</u>	<u>394,566</u>	Ending net position	<u>\$ (18,405,713)</u>	<u>\$ (27,180,347)</u>
Total charges for services	<u>1,613,283</u>	<u>1,631,107</u>			
Total revenue	<u>\$ 25,924,875</u>	<u>\$ 25,182,989</u>			

**Clawson Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**State of Michigan Unrestricted Aid (Net State Foundation Grant)**

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment – Blended at 90 percent of current year's fall count and 10 percent of prior year's winter count.
- c. The District's non-homestead property tax levy.

**Per Student, Foundation Allowance:**

Annually, the State of Michigan establishes the per student foundation allowance. The Clawson Public Schools foundation allowance was \$8,259 per student for the 2017-2018 fiscal year.

**Student enrollment:**

The District's student enrollment is based on a blend of two count dates: ninety percent of the fall count and ten percent of the prior winter count. For 2017-2018, the blended count was 1,652.37 students. The District's enrollment increased in the 2017-18 fiscal year, but increased the preceding year. Enrollment in the 2017-18 fiscal year was 151 students lower as compared to the 2008-09 fiscal year. Enrollment is expected to decline slightly for the 2017-18 fiscal year.

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Increase/ (Decrease)</u>
2017-2018	1,652	(65)
2016-2017	1,717	47
2015-2016	1,670	(94)
2014-2015	1,764	(29)
2013-2014	1,793	(45)
2012-2013	1,838	(18)
2011-2012	1,856	(5)
2010-2011	1,861	47
2009-2010	1,814	11
2008-2009	1,803	(13)



**Clawson Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**Property Taxes Levied for General Operations (General Fund Non-homestead Taxes)**

The District levies 18 mills of property taxes for general fund operations on non-homestead properties. The debt mill is limited by headlee rollback rules. Under Michigan law, the taxable levy is based on the taxable valuation of non-homestead properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's Consumer Price Index (CPI) increase or 5 percent, whichever is less. At the time of sale, a property's valuation is readjusted to the State Equalized Value, which is, 50 percent of the market value.

The District's non-homestead property tax levy for the 2017-2018 fiscal year was \$1,840,701. The non-homestead tax levy revenues increased by \$22,763 under the prior year. As a result, the district realized more local tax dollars which were offset by a decrease in state aid of an equal amount.

The following summarizes the District's non-homestead levy over the past five years:

<u>Fiscal Year</u>	<u>Non-homestead Tax Levy</u>
2017-2018	\$ 1,840,701
2016-2017	1,817,938
2015-2016	1,828,731
2014-2015	1,777,461
2013-2014	1,739,990

**Debt Fund Taxes**

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

In addition, the 2011 Technology Bond levy, which is used to equip and re-equip school buildings and other facilities for technology equipment and systems, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2017-2018, the debt millage was 9.02 mills, which is a .04 decrease from the 2016-2017 fiscal year. The millage generated revenue in the amount of \$3,102,135 in the 2017-2018 fiscal year compared to \$3,001,965 in 2016-2017.

**Clawson Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**General Fund Budget & Actual Revenues and Expenditures**

**General Fund Revenue – Budget – vs. – Actual 5-year history**

	Revenue	Revenue	Revenue	Variance Actual & Original Budget	Revenue Variance Actual & Final Budget
<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Final Actual</u>		
2013-2014	21,098,726	21,563,054	21,568,702	2.23%	0.03%
2014-2015	21,284,487	22,242,240	21,683,895	1.88%	-2.51%
2015-2016	21,917,928	21,755,037	21,545,865	-1.70%	-0.96%
2016-2017	20,249,914	19,629,866	19,693,355	-2.75%	0.32%
2017-2018	19,347,143	19,161,733	19,140,153	-1.07%	-0.11%

**General Fund Expenditures – Budget – vs. – Actual 5-year history**

	Expenditures	Expenditures	Expenditures	& Original Budget	Variance Actual & Final Budget
<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Final Actual</u>		
2013-2014	21,404,108	22,431,912	22,240,475	3.91%	-0.85%
2014-2015	21,087,097	23,109,989	22,108,953	4.85%	-4.33%
2015-2016	22,134,404	22,463,427	21,891,045	-1.10%	-2.55%
2016-2017	21,249,253	19,739,322	19,133,063	-9.96%	-3.07%
2017-2018	19,065,359	19,430,873	18,881,131	-0.97%	-2.83%

**Clawson Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**Original vs. Final Budget**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year, prior to July 1, the start of the fiscal year.

As a matter of practice, the Clawson Public Schools reviews and if necessary, amends the budget at least twice during the fiscal year. For the Fiscal year June 30, 2018, the budget was reviewed quarterly and amended two times. The June 18, 2018 budget amendment was the final budget for the fiscal year. Actual revenues and expenditures for the 2017-18 ASD Center Program totaled \$1,301,599 and \$1,607,622 respectively.

**Change from Original to Final Budget – General Fund Revenues:**

	Amount of Budget	
Total Revenues, Original budget	\$ 19,347,143	100.00%
Total Revenues, Final budget	<u>19,161,733</u>	99.04%
Decrease in Budgeted Revenues	<u>\$ (185,410)</u>	-0.96%

The District's original general fund revenue budget differed from the final budget by \$(185,410), a variance of -0.96 % percent from the final budget.

**Change from Original to Final Budget – General Fund Expenditures:**

The District budget for expenditures changed as follows during the year:

	Amount of Budget	
Total Expenditures, Original budget	\$ 19,065,359	100.00%
Total Expenditures, Final budget	<u>19,430,873</u>	101.92%
Increase in Budgeted Expenditures	<u>\$ 365,514</u>	1.92%

As reflected above, the District's original general fund revenue budget differed from the final budget by \$365,514, a variance of 1.92% percent from the final budget.

**Clawson Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

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

Our Board of Education and administration considered many factors when setting the School District's 2018-2019 fiscal year budget. The two most significant factors affecting the budget are our blended student count and the State per pupil foundation allowance.

Under the State's blending formula, the blended count for the 2018-2019 fiscal year is based on 90% of the October 2018 count plus 10% of the February 2018 count. Enrollment from the October 2018 count is expected to be a small number of students lower than the estimated enrollment used for the 2018-2019 budget. For the 2018-2019 budget, enrollment was estimated to decrease 45 students and the foundation allowance was budgeted at \$8,409 per student. The budgeted blended count of 1,532 is now projected to decrease a small number, and the foundation allowance is currently expected to be \$8,409. Overall the district has budgeted conservatively and coupled with Fund Balance at 8.9% of revenues, the district is well positioned to absorb this variance.

Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue estimating conference to estimate revenues. If actual State revenue is less than their estimate, reduction to the per-pupil funding may be necessary.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Business Office of the Clawson Public Schools at 626 Phillips Avenue, Clawson, MI 48017.

## BASIC FINANCIAL STATEMENTS

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**Clawson Public Schools**  
**Statement of Net Position**  
**June 30, 2018**

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	Governmental Activities
<b>Assets</b>	
Cash	\$ 2,202,146
Accounts receivable	36,487
Due from other governmental units	3,000,501
Inventory	14,142
Prepaid items	87,728
Capital assets not being depreciated	40,000
Capital assets - net of accumulated depreciation	<u>33,208,203</u>
Total assets	<u>38,589,207</u>
 <b>Deferred outflows of resources</b>	
Deferred amount relating to the net pension liability	6,087,389
Deferred amount relating to the net OPEB liability	614,499
Deferred amount on debt refunding	<u>314,742</u>
Total deferred outflows of resources	<u>7,016,630</u>
 Total assets and deferred outflows of resources	 <u>45,605,837</u>

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Statement of Net Position**  
**June 30, 2018**

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	Governmental Activities
<b>Liabilities</b>	
Accounts payable	\$ 305,189
Due to other governmental units	296,330
Payroll deductions and withholdings	364,278
Accrued expenditures	317,133
Accrued salaries payable	1,040,520
Unearned revenue	68,678
Long-term liabilities	
Net pension liability	29,839,537
Net OPEB liability	10,216,574
Debt due within one year	2,758,514
Debt due in more than one year	<u>21,917,455</u>
Total liabilities	<u>67,124,208</u>
<b>Deferred inflows of resources</b>	
Deferred amount relating to net pension liability	5,316,582
Deferred amount relating to net OPEB liability	<u>345,394</u>
Total deferred inflows of resources	<u>5,661,976</u>
 Total liabilities and deferred inflows of resources	 <u>72,786,184</u>
<b>Net Position</b>	
Net investment in capital assets	9,435,627
Unrestricted (deficit)	<u>(36,615,974)</u>
 Total net position	 <u>\$ (27,180,347)</u>

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 13,736,794	\$ 54,168	\$ 6,381,897	\$ -	\$ (7,300,729)
Supporting services	8,132,720	340,398	813,272	-	(6,979,050)
Food services	670,134	254,349	294,247	-	(121,538)
Community services	842,651	982,192	-	-	139,541
Interest and other charges	<u>730,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(730,444)</u>
Total governmental activities	<u>\$ 24,112,743</u>	<u>\$ 1,631,107</u>	<u>\$ 7,489,416</u>	<u>\$ -</u>	<u>(14,992,220)</u>
General revenues					
Property taxes, levied for general purposes					1,861,307
Property taxes, levied for debt service					3,102,135
State aid - unrestricted					11,009,471
Interest and investment earnings					26,310
Gain on sale of capital assets					1,692
Other					<u>61,551</u>
Total general revenues					<u>16,062,466</u>
Change in net position					1,070,246
Net position - beginning, as restated					<u>(28,250,593)</u>
Net position - ending					<u>\$ (27,180,347)</u>

See Accompanying Notes to the Financial Statements



**Clawson Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	General Fund	Debt Service Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 1,008,969	\$ 72,755	\$ 831,253	\$ 289,169	\$ 2,202,146
Accounts receivable	2,922	-	-	33,565	36,487
Due from other funds	80,750	1,352	-	480,989	563,091
Due from other governmental units	2,910,500	567	-	89,434	3,000,501
Inventory	-	-	-	14,142	14,142
Prepaid items	49,304	-	-	38,424	87,728
	<u>49,304</u>	<u>-</u>	<u>-</u>	<u>38,424</u>	<u>87,728</u>
 Total assets	 <u>\$ 4,052,445</u>	 <u>\$ 74,674</u>	 <u>\$ 831,253</u>	 <u>\$ 945,723</u>	 <u>\$ 5,904,095</u>
<b>Liabilities</b>					
Accounts payable	\$ 83,623	\$ -	\$ 170,000	\$ 51,566	\$ 305,189
Due to other funds	482,341	-	-	80,750	563,091
Due to other governmental units	274,238	-	-	22,092	296,330
Payroll deductions and withholdings	339,095	-	-	25,183	364,278
Accrued expenditures	158,041	-	-	16,092	174,133
Accrued salaries payable	958,071	-	-	82,449	1,040,520
Unearned revenue	46,157	-	-	22,521	68,678
	<u>46,157</u>	<u>-</u>	<u>-</u>	<u>22,521</u>	<u>68,678</u>
 Total liabilities	 <u>2,341,566</u>	 <u>-</u>	 <u>170,000</u>	 <u>300,653</u>	 <u>2,812,219</u>

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	General Fund	Debt Service Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balance</b>					
Non-spendable					
Inventory	\$ -	\$ -	\$ -	\$ 14,142	\$ 14,142
Prepaid items	49,304	-	-	38,424	87,728
Restricted for					
Center program	-	-	-	198,387	198,387
Debt service	-	74,674	-	-	74,674
Capital projects	-	-	661,253	272,523	933,776
Assigned for					
Community education	-	-	-	126,098	126,098
Unassigned (deficit)	1,661,575	-	-	(4,504)	1,657,071
	<u>1,710,879</u>	<u>74,674</u>	<u>661,253</u>	<u>645,070</u>	<u>3,091,876</u>
 Total fund balance					
	<u>1,710,879</u>	<u>74,674</u>	<u>661,253</u>	<u>645,070</u>	<u>3,091,876</u>
 Total liabilities					
and fund balance	<u>\$ 4,052,445</u>	<u>\$ 74,674</u>	<u>\$ 831,253</u>	<u>\$ 945,723</u>	<u>\$ 5,904,095</u>

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2018**

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<b>Total fund balances for governmental funds</b>	<b>\$ 3,091,876</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	40,000
Capital assets - net of accumulated depreciation	33,208,203
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	314,742
Deferred outflow of resources resulting from the net pension liability	6,087,389
Deferred inflows of resources resulting from net pension liability	(5,316,582)
Deferred inflows of resources resulting from the net OPEB liability	(345,394)
Deferred outflows of resources resulting from the net OPEB liability	614,499
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(143,000)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(29,839,537)
Net OPEB liability	(10,216,574)
Bonds payable	(23,291,720)
School bond loan payable	(1,031,705)
Accrued interest on school bond loan	(48,632)
Compensated absences and retirement pay	(227,496)
Other liabilities	(76,416)
<b>Net position of governmental activities</b>	<b>\$ (27,180,347)</b>

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	General Fund	Debt Service Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 2,364,016	\$ 3,113,866	\$ 5,627	\$ 1,199,070	\$ 6,682,579
State sources	14,608,119	34,017	-	25,013	14,667,149
Federal sources	679,506	-	-	351,907	1,031,413
Interdistrict sources	<u>1,488,512</u>	<u>-</u>	<u>-</u>	<u>1,301,599</u>	<u>2,790,111</u>
 Total revenues	 <u>19,140,153</u>	 <u>3,147,883</u>	 <u>5,627</u>	 <u>2,877,589</u>	 <u>25,171,252</u>
<b>Expenditures</b>					
Current					
Education					
Instruction	11,505,890	-	-	1,181,022	12,686,912
Supporting services	7,079,216	-	-	426,600	7,505,816
Food services	-	-	-	615,373	615,373
Community services	32,342	-	-	773,970	806,312
Capital outlay	30,855	-	98,589	56,019	185,463
Debt service					
Principal	177,220	2,525,000	-	-	2,702,220
Interest and other expenditures	<u>55,608</u>	<u>948,919</u>	<u>-</u>	<u>-</u>	<u>1,004,527</u>
 Total expenditures	 <u>18,881,131</u>	 <u>3,473,919</u>	 <u>98,589</u>	 <u>3,052,984</u>	 <u>25,506,623</u>
 Excess (deficiency) of revenues over expenditures	 <u>259,022</u>	 <u>(326,036)</u>	 <u>(92,962)</u>	 <u>(175,395)</u>	 <u>(335,371)</u>

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	General Fund	Debt Service Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>					
Proceeds from school bond loan fund	\$ -	\$ 249,133	\$ -	\$ -	\$ 249,133
Insurance recoveries	16,285	-	-	-	16,285
Transfers in	250,180	-	-	647,617	897,797
Transfers out	<u>(647,617)</u>	<u>-</u>	<u>-</u>	<u>(250,180)</u>	<u>(897,797)</u>
Total other financing sources (uses)	<u>(381,152)</u>	<u>249,133</u>	<u>-</u>	<u>397,437</u>	<u>265,418</u>
Net change in fund balance	(122,130)	(76,903)	(92,962)	222,042	(69,953)
Fund balance - beginning	<u>1,833,009</u>	<u>151,577</u>	<u>754,215</u>	<u>423,028</u>	<u>3,161,829</u>
Fund balance - ending	<u><u>\$ 1,710,879</u></u>	<u><u>\$ 74,674</u></u>	<u><u>\$ 661,253</u></u>	<u><u>\$ 645,070</u></u>	<u><u>\$ 3,091,876</u></u>

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2018**

<b>Net change in fund balances - Total governmental funds</b>	<b>\$ (69,953)</b>
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund	
Operating grants	(4,548)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,923,433)
Capital outlay	66,263
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	1,265,524
Net change in the deferred inflow of resources related to the net pension liability	(879,630)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	102,379
Net change in the deferred inflow of resources related to the net OPEB liability	(204,968)
Expenses are recorded when incurred in the statement of activities.	
Interest	(4,757)
Special termination benefits	(28,351)
Compensated absences	19,793
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Proceeds from issuance of school bond loan fund debt	(249,133)
Repayments of long-term debt	2,702,220
Amortization of premium	374,522
Amortization of discount	(3,581)
Amortization of deferred amount on refunding	(92,101)
<b>Change in net position of governmental activities</b>	<b>\$ 1,070,246</b>

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2018**

	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash	\$ 3,754	\$ 179,533
Prepaid items	<u>-</u>	<u>100</u>
Total assets	<u>3,754</u>	<u>\$ 179,633</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 2,091
Due to agency fund activities	<u>-</u>	<u>177,542</u>
Total liabilities	<u>-</u>	<u>\$ 179,633</u>
<b>Net Position</b>		
Assets held in trust for scholarships and loans	<u>\$ 3,754</u>	

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Fiduciary Funds**  
**Private Purpose Trust Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2018**

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	Private Purpose Trust Funds
	<u>                    </u>
<b>Additions</b>	
Local sources	\$ <u>                    632</u>
Change in net position	632
Net position - beginning	<u>                    3,122</u>
Net position - ending	<u><u>                    \$ 3,754</u></u>

See Accompanying Notes to the Financial Statements



**Clawson Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Clawson Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**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. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs with the exception of the ASD Center Program. This decision is evaluated annually. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the 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. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as

**Clawson Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2018**

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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 government.

Fiduciary fund statements also are 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 used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

*Debt Service Funds* – The Debt Service Funds are used to record the revenue from taxes and the payments on the debt.

*Capital Projects Funds* – The 2014 Capital projects funds are used to record bond proceeds and other revenue and disbursements of invoices for capital projects.

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 expenditures for specified purposes. The Food Service Fund is used to amount for operations of providing meals to students. The Community Education Fund is used to record the operations of the School District's enrichment and child care programs. The Center Program Fund is used to record the special education Center Program.

*Capital Projects Fund* – Capital projects funds are used to record bond proceeds and other revenue and disbursements of invoices for technology equipment.

*Fiduciary Funds* – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

**Assets, Liabilities and Equity**

*Receivables and Payables* – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other receivable are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2018, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.9832
Commercial personal property	6.0000
Debt Service Funds	9.0200

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School

# Clawson Public Schools

## Notes to the Financial Statements

### June 30, 2018

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District's boundaries. The entire tax roll of the School District lies within Oakland County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District by May 15.

*Inventories and prepaid items* – 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. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

*Capital Assets* – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

*Deferred Outflows of Resources* – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts

represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

*Compensated Absences* – Sick days are earned by most employees at the rate of one day per month. Unlimited unused sick days may be accumulated by an employee. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum number of days and at a rate determined by their job category. Employees may also accumulate vacation days. Retiring employees who meet certain age and years of service requirements are paid for accumulated vacation days to a maximum number of days at a rate determined by their job category.

The liability for compensated absences reported in the district-wide financial statements consist of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon termination, are included. The amount reported is salary related and includes no fringe benefits, since the amount of said benefits would be immaterial.

**Clawson Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**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. 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.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

**Pension** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Postemployment Benefits Other Than Pensions** – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Inflows of Resources** – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

**Fund Equity** – In the fund financial statements, governmental funds report fund balance in the following categories:

**Non-spendable** – amounts that are not available in a spendable form.

**Restricted** – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

**Committed** – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

# Clawson Public Schools

## Notes to the Financial Statements

### June 30, 2018

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Assigned – amounts intended to be used for specific purposes, as determined by The Board of Education or their delegates. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

#### **Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

#### **Adoption of New Accounting Standards**

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. Statement No. 86 is effective for the fiscal year ending June 30, 2018.

#### **Upcoming Accounting and Reporting Changes**

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

## Clawson Public Schools

### Notes to the Financial Statements

#### June 30, 2018

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Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with

finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

The School District is evaluating the impact that the above pronouncements will have on its financial reporting.

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

##### **Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

# Clawson Public Schools

## Notes to the Financial Statements

### June 30, 2018

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts within functions in any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

As of June 30, 2018, there were no budget variances.

### Note 3 - Deposits And Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 2,202,146	\$ 183,287	\$ 2,385,433

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 2,385,283
Petty cash and cash on hand	<u>150</u>
Total	<u>\$ 2,385,433</u>

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office 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. As of June 30, 2018, the School District had no investments.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this 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. As of year end, \$2,672,903 of the School District's bank balance of \$2,923,170 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Clawson Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 4 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	468,550	-	468,550	-
Total capital assets not being depreciated	508,550	-	468,550	40,000
Capital assets being depreciated				
Buildings and additions	60,524,083	511,940	-	61,036,023
Equipment and furniture	7,510,962	22,873	-	7,533,835
Buses and other vehicles	37,039	-	-	37,039
Total capital assets being depreciated	68,072,084	534,813	-	68,606,897
Less accumulated depreciation for				
Buildings and additions	26,878,744	1,544,416	-	28,423,160
Equipment and furniture	6,592,813	375,313	-	6,968,126
Buses and other vehicles	3,704	3,704	-	7,408
Total accumulated depreciation	33,475,261	1,923,433	-	35,398,694
Net capital assets being depreciated	34,596,823	(1,388,620)	-	33,208,203
Net capital assets	\$ 35,105,373	\$ (1,388,620)	\$ 468,550	\$ 33,248,203

Depreciation expense was charged to activities of the School District as follows:

<b>Governmental activities</b>	
Instruction	\$ 1,128,639
Support services	668,187
Food services	54,815
Community education	71,792
Total governmental activities	<u>\$ 1,923,433</u>

**Note 5 - Interfund Receivable and Payable and Transfers**

Individual interfund receivable and payable balances at year end were:

Due To Fund	Due From Fund	Amount
General Fund	Nonmajor Governmental Fund	\$ 80,750
Nonmajor Governmental Fund	General Fund	480,989
Debt Service Fund	General Fund	1,352
		<u>\$ 563,091</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In addition the general fund owes the agency fund \$11,033 for student activities.

The details for interfund transfers are as follows:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
<b>Transfers in</b>			
General fund	\$ -	\$ 250,180	\$ 250,180
Nonmajor Governmental Funds	<u>647,617</u>	<u>-</u>	<u>647,617</u>
	<u>\$ 647,617</u>	<u>\$ 250,180</u>	<u>\$ 897,797</u>



**Clawson Public Schools**  
**Notes to the Financial Statements**  
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**Note 6 - Leases**

**Capital Leases**

The School District has a capital lease for equipment. The future minimum lease payments are as follows:

Year Ending June 30,	
2019	\$ 31,440
2020	31,440
2021	<u>18,340</u>
Total minimum lease payments	81,220
Less amount representing interest	<u>(4,804)</u>
Present value of minimum lease payments	<u>\$ 76,416</u>

The assets acquired through capital lease are as follows:

Assets	
Machinery and equipment	\$ 140,107
Less accumulated depreciation	<u>(48,370)</u>
Total	<u>\$ 91,737</u>

**Operating Leases**

The School District has an operating lease for school buses. The current year lease payments were \$123,739. The future minimum lease payments are as follows:

Year Ending June 30,	
2019	\$ 123,739

**Note 7 - Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	Unearned
Student balances	\$ 29,226
Grants, restricted donations, and categorical aid payments received prior to meeting all eligibility requirements	<u>39,452</u>
Total	<u>\$ 68,678</u>

**Note 8 - 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. Other long-term obligations include compensated absences, termination benefits, and capital leases.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 24,610,000	\$ -	\$ 2,675,000	\$ 21,935,000	\$ 2,730,000
School Bond Loan	782,572	249,133	-	1,031,705	-
Accrued Interest on School Bond Loan Fund	21,875	26,757	-	48,632	-
Unamortized bond premium	1,743,059	-	374,522	1,368,537	-
Unamortized bond discount	(15,398)	-	(3,581)	(11,817)	-
Compensated absences and retirement pay	218,938	41,435	32,877	227,496	-
Capital lease	<u>103,636</u>	<u>-</u>	<u>27,220</u>	<u>76,416</u>	<u>28,514</u>
Total	<u>\$ 27,464,682</u>	<u>\$ 317,325</u>	<u>\$ 3,106,038</u>	<u>\$ 24,675,969</u>	<u>\$ 2,758,514</u>

**Clawson Public Schools**  
**Notes to the Financial Statements**  
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For governmental activities, compensated absences, capital leases and retirement pay are primarily liquidated by the General Fund.

The general obligation bonds are payable from the Debt Service Funds with the exception of the 2009 building and site bonds, which are payable from the general funds. As of year end, the fund had a balance of \$74,674 to pay this debt. Future debt and interest will be payable from future tax levies.

General obligation bonds payable at year end consist of the following:

2009 Building and site bonds payable with original interest at 2.50% to 4.50% and final maturity in 2024	\$ 1,055,000
2011 Technology bonds payable with original interest at 2.00% to 4.00% and final maturity in 2021	1,435,000
2014 Building and Site Bonds payable with original interest at 2.00% to 4.00% and final maturity in 2034	8,325,000
2016 Refunding bonds payable with original interest at 4.00% and final maturity in 2024	6,855,000
2017 Refunding bonds payable with original interest at 4.00% and final maturity in 2021	<u>4,265,000</u>
Total general obligation bonded debt	<u>\$ 21,935,000</u>

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2019	\$ 2,730,000	\$ 870,674	\$ 3,600,674
2020	2,830,000	766,426	3,596,426
2021	2,505,000	640,594	3,145,594
2022	2,605,000	541,400	3,146,400
2023	2,660,000	435,500	3,095,500
2024-2028	4,780,000	1,070,776	5,850,776
2029-2033	2,455,000	526,000	2,981,000
2034	<u>1,370,000</u>	<u>54,800</u>	<u>1,424,800</u>
Total	<u>\$ 21,935,000</u>	<u>\$ 4,906,170</u>	<u>\$ 26,841,170</u>

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were \$55,608 and \$948,919 respectively.

**State School Bond Loan**

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's various bonds. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage, but instead the election permitted the School District to extend this levy. Since the monies generated by the millage are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow additional funds to meet debt service requirements. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

**Clawson Public Schools**  
**Notes to the Financial Statements**  
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**Compensated Absences**

Sick days are earned by most employees at the rate of eleven days per year and are liquidated by the originating fund. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum of one-hundred eighty days. The estimated contingent liability including employee taxes for these benefits as of June 30, 2018 is \$79,295. The liability is measured using the Termination Method.

**Retirement Pay**

Retirement benefits at year end, consist of \$148,201 of potential retirement payouts. Certain contracts allow for \$100 to be paid per year of service if the staff have worked for the District at least 10 years retire from the District. The liability is measured using an estimate of staff that have over 10 years of service that are expected to retire.

**Advanced Refunding**

During fiscal year 2015 the School District issued Refunding Bonds of \$4,805,000 with an interest rate of 2.00% to 4.00% to advance refund term bonds with an interest rate of 3.5% to 5.00% and a remaining par value of \$4,815,000. The 2015 Refunding Bonds were issued at a premium and after paying issuance costs of \$89,427 the net proceeds were \$4,935,268 which were paid to an escrow agent on May 1, 2015 to advance refund the term bonds. The advance refunding met the requirements of an insistance debt defeasance and the term bonds were removed from the School District's financial statements.

The advanced refunding resulted in a difference between the requisition price and the net carrying amount of the old debt of \$116,893. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2018.

**Defeased Debt**

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is 2023. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

1998 Issue refunded in 2005	\$ 7,350,000
1998 Issue refunded in 2006	4,950,000
1998 Issue refunded in 2007	3,550,000

**Deferred Amount on Debt Refunding**

The School District issued bonds to advance refund and retire previously issued term bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities throughout fiscal year 2024.

**Clawson Public Schools**  
**Notes to the Financial Statements**  
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**Note 9 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. No provision has been made for possible future claims.

**Note 10 - Pension Plans and Post-Employment Benefits**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

**Clawson Public Schools**  
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Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the School District were \$2,700,813 for the year ending September 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the School District reported a liability of \$29,839,537 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers

during the measurement period. At September 30, 2017, the School District's proportion was 0.1151 percent, which was a decrease of 0.0095 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was \$2,203,235.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Difference between expected and actual experience	\$ 259,326	\$ 146,416	\$ 112,910
Changes of assumptions	3,269,158	-	3,269,158
Net difference between projected and actual earnings on pension plan investments	-	1,426,526	(1,426,526)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	-	2,601,592	(2,601,592)
Total to be recognized in future	3,528,484	4,174,534	(646,050)
School District contributions subsequent to the measurement date	2,558,905	1,142,048	1,416,857
Total	\$ 6,087,389	\$ 5,316,582	\$ 770,807

# Clawson Public Schools

## Notes to the Financial Statements

### June 30, 2018

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2018	\$ (346,022)
2019	204,654
2020	(179,622)
2021	(325,060)
	<u>\$ (646,050)</u>

#### Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

#### *Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:

- MIP and Basic Plans (Non-Hybrid): 7.5%
- Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

#### **Long-Term Expected Return on Plan Assets**

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

**Clawson Public Schools**  
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long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.3% inflation.

**Rate of Return**

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions

will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
<u>\$ 38,870,992</u>	<u>\$ 29,839,537</u>	<u>\$ 22,235,627</u>

\*The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

**Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at [www.michigan.gov/orschools](http://www.michigan.gov/orschools).

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**Payables to the Michigan Public School Employees' Retirement System (MPSERS)**

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

**Note 11 - Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy



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benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

**Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	5.91%
Personal Healthcare Fund (PHF)	0.0%	5.69%

Required contributions to the OPEB plan from the School District were \$898,205 for the year ended September 30, 2017.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the School District reported a liability of \$10,216,574 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.1154 percent, which was the same percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total OPEB expense for the School District was \$683,814.

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At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Difference between expected and actual experience	\$ -	\$ 108,776	\$(108,776)
Net difference between projected and actual earnings on OPEB plan investments	-	236,618	(236,618)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>2,025</u>	<u>-</u>	<u>2,025</u>
Total to be recognized in future School District contributions subsequent to the measurement date	<u>612,474</u>	<u>-</u>	<u>612,474</u>
Total	<u>\$ 614,499</u>	<u>\$ 345,394</u>	<u>\$ 269,105</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2018	\$ (83,013)
2019	(83,013)
2020	(83,013)
2021	(83,013)
2022	<u>(11,317)</u>
	<u>\$ (343,369)</u>

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%

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### June 30, 2018

- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

#### Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

#### Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	<u>100.0%</u>	

*\*Long-term rates of return are net of administrative expenses and 2.3% inflation.*

#### Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of

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return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current	1% Increase
6.5%	Discount Rate	
	7.5%	8.5%
<u>\$11,966,561</u>	<u>\$ 10,216,574</u>	<u>\$ 8,731,383</u>

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate**

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-

point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare	1% Increase
6.5%	Cost Trend Rate	8.5%
	7.5%	
<u>\$ 8,652,065</u>	<u>\$ 10,216,574</u>	<u>\$11,992,965</u>

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

**Note 12 - Adoption of New Accounting Standards**

As indicated in Note 1, the School District has adopted Governmental Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by \$9,844,880, restating it from (\$18,405,713) to (\$28,250,593).

**Clawson Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 13 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2018.

**Note 14 - Tax Abatements**

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the City of Clawson, City of Royal Oak. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

The School District has deemed tax abatements immaterial to the financial statements.

**Note 15 - Subsequent Events**

Subsequent to June 30, 2018 the District signed a line of credit for \$330,000. There have been no draws on the line of credit at this time.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Clawson Public Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 2,270,436	\$ 2,386,090	\$ 2,364,016	\$ (22,074)
State sources	15,071,608	14,566,657	14,608,119	41,462
Federal sources	646,241	716,938	679,506	(37,432)
Interdistrict sources	1,358,858	1,492,049	1,488,512	(3,537)
Total revenues	19,347,143	19,161,734	19,140,153	(21,581)
<b>Expenditures</b>				
Instruction				
Basic programs	8,296,852	8,211,526	8,098,466	(113,060)
Added needs	2,947,694	3,491,958	3,407,424	(84,534)
Supporting services				
Pupil	1,232,382	1,414,903	1,371,164	(43,739)
Instructional staff	463,509	419,317	399,998	(19,319)
General administration	828,108	645,168	606,914	(38,254)
School administration	1,148,271	1,149,414	1,122,729	(26,685)
Business	422,702	468,658	460,862	(7,796)
Operations and maintenance	1,902,976	1,764,717	1,672,801	(91,916)
Pupil transportation services	626,198	691,176	648,781	(42,395)
Central	500,914	463,414	452,508	(10,906)
Athletic activities	384,269	392,100	343,459	(48,641)
Community services	34,931	54,186	32,342	(21,844)
Capital outlay	44,400	31,359	30,855	(504)
Debt service				
Principal	177,440	177,220	177,220	-
Interest and fiscal charges	54,713	55,758	55,608	(150)
Total expenditures	19,065,359	19,430,874	18,881,131	(549,743)

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Excess (deficiency) of revenues over expenditures	\$ 281,784	\$ (269,140)	\$ 259,022	\$ 528,162
<b>Other Financing Sources (Uses)</b>				
Insurance recoveries	-	16,285	16,285	-
Transfers in	256,324	260,902	250,180	(10,722)
Transfers out	(535,380)	(658,893)	(647,617)	(11,276)
Total other financing sources (uses)	(279,056)	(381,706)	(381,152)	(21,998)
Net change in fund balance	2,728	(650,846)	(122,130)	506,164
Fund balance - beginning	1,833,009	1,833,009	1,833,009	-
Fund balance - ending	\$ 1,835,737	\$ 1,182,163	\$ 1,710,879	\$ 506,164

See Accompanying Notes to the Financial Statements



**Clawson Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Reporting unit's proportion of net pension liability (%)	0.1151%	0.1247%	0.1282%	0.1316%						
Reporting unit's proportionate share of net pension liability	\$ 29,839,537	\$31,105,061	\$ 31,317,205	\$ 28,984,213						
Reporting unit's covered-employee payroll	\$ 9,285,755	\$10,375,901	\$ 10,733,340	\$ 11,243,910						
Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	321.35%	299.78%	291.78%	257.78%						
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%						

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Pension Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contributions	\$ 2,788,988	\$ 1,955,778	\$ 2,025,672	\$ 2,369,531						
Contributions in relation to statutorily required contributions	<u>2,788,988</u>	<u>1,955,778</u>	<u>2,025,672</u>	<u>2,369,531</u>						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Reporting unit's covered-employee payroll	\$ 9,194,531	\$ 9,408,467	\$ 10,159,727	\$ 10,859,103						
Contributions as a percentage of covered-employee payroll	30.33%	20.79%	19.94%	21.82%						

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of Net OPEB Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Reporting unit's proportion of the net OPEB liability (%)	0.1154%									
Reporting unit's proportionate share of the net OPEB liability	\$10,216,574									
Reporting unit's covered-employee payroll	\$ 9,285,755									
Reporting unit's proportionate share of the net OPEB liability as a percentage of its covered- employee payroll	110.02%									
Plan fiduciary net position as a percentage of total OPEB liability	36.39%									

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's OPEB Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30,									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily required contributions	\$ 684,107									
Contributions in relation to statutorily required contributions	<u>684,107</u>									
Contribution deficiency (excess)	<u>\$ -</u>									
Reporting unit's covered-employee payroll	\$ 9,194,531									
Contributions as a percentage of covered-employee payroll	7.44%									

See Accompanying Notes to the Financial Statements

## OTHER SUPPLEMENTARY INFORMATION

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**Clawson Public Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2018**

	Special Revenue Funds			Capital Projects Funds	Total Nonmajor Governmental Funds
	Food Service	Community Education	Center Program	2011 Technology Bond	
<b>Assets</b>					
Cash	\$ 14,534	\$ -	\$ -	\$ 274,635	\$ 289,169
Accounts receivable	-	33,565	-	-	33,565
Due from other funds	-	145,406	335,583	-	480,989
Due from other governmental units	89,434	-	-	-	89,434
Inventory	14,142	-	-	-	14,142
Prepaid items	38,000	-	424	-	38,424
Total assets	<u>\$ 156,110</u>	<u>\$ 178,971</u>	<u>\$ 336,007</u>	<u>\$ 274,635</u>	<u>\$ 945,723</u>
<b>Liabilities</b>					
Accounts payable	\$ 11,235	\$ 39,646	\$ 685	\$ -	\$ 51,566
Due to other funds	80,750	-	-	-	80,750
Due to other governmental units	3,236	-	16,744	2,112	22,092
Payroll deductions and withholdings	480	135	24,568	-	25,183
Accrued expenditures	-	-	16,092	-	16,092
Accrued salaries payable	3,342	-	79,107	-	82,449
Unearned revenue	9,429	13,092	-	-	22,521
Total liabilities	<u>108,472</u>	<u>52,873</u>	<u>137,196</u>	<u>2,112</u>	<u>300,653</u>
<b>Fund Balance</b>					
Non-spendable					
Inventory	14,142	-	-	-	14,142
Prepaid items	38,000	-	424	-	38,424
Restricted for					
Center program	-	-	198,387	-	198,387
Capital projects	-	-	-	272,523	272,523
Assigned for					
Community education	-	126,098	-	-	126,098
Unassigned (deficit)	(4,504)	-	-	-	(4,504)
Total fund balance	<u>47,638</u>	<u>126,098</u>	<u>198,811</u>	<u>272,523</u>	<u>645,070</u>
Total liabilities and fund balance	<u>\$ 156,110</u>	<u>\$ 178,971</u>	<u>\$ 336,007</u>	<u>\$ 274,635</u>	<u>\$ 945,723</u>

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds			Capital Projects Funds	Total Nonmajor Governmental Funds
	Food Service	Community Education	Center Program	2011 Technology Bond	
<b>Revenues</b>					
Local sources	\$ 254,491	\$ 943,177	\$ -	\$ 1,402	\$ 1,199,070
State sources	25,013	-	-	-	25,013
Federal sources	351,907	-	-	-	351,907
Interdistrict sources	-	-	1,301,599	-	1,301,599
Total revenues	<u>631,411</u>	<u>943,177</u>	<u>1,301,599</u>	<u>1,402</u>	<u>2,877,589</u>
<b>Expenditures</b>					
Current					
Education					
Instruction	-	-	1,181,022	-	1,181,022
Supporting services	-	-	426,600	-	426,600
Food services	615,373	-	-	-	615,373
Community services	-	773,970	-	-	773,970
Capital outlay	-	-	-	56,019	56,019
Total expenditures	<u>615,373</u>	<u>773,970</u>	<u>1,607,622</u>	<u>56,019</u>	<u>3,052,984</u>
Excess (deficiency) of revenues over expenditures	<u>16,038</u>	<u>169,207</u>	<u>(306,023)</u>	<u>(54,617)</u>	<u>(175,395)</u>

See Accompanying Notes to the Financial Statements

**Clawson Public Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds			Capital Projects Funds	Total Nonmajor Governmental Funds
	Food Service	Community Education	Center Program	2011 Technology Bond	
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ -	\$ -	\$ 647,617	\$ -	\$ 647,617
Transfers out	-	(61,751)	(188,429)	-	(250,180)
Total other financing sources (uses)	-	(61,751)	459,188	-	397,437
Net change in fund balance	16,038	107,456	153,165	(54,617)	222,042
Fund balance - beginning	31,600	18,642	45,646	327,140	423,028
Fund balance - ending	<u>\$ 47,638</u>	<u>\$ 126,098</u>	<u>\$ 198,811</u>	<u>\$ 272,523</u>	<u>\$ 645,070</u>

See Accompanying Notes to the Financial Statements



**Clawson Public Schools**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2018**

Year Ending June 30,	2009 Building and Site	2011 School Technology	2014 Building and Site	2016 Refunding	2017 Refunding	Total
2019	\$ 160,000	\$ 475,000	\$ 355,000	\$ -	\$ 1,740,000	\$ 2,730,000
2020	165,000	475,000	365,000	-	1,825,000	2,830,000
2021	170,000	485,000	390,000	760,000	700,000	2,505,000
2022	180,000	-	405,000	2,020,000	-	2,605,000
2023	185,000	-	425,000	2,050,000	-	2,660,000
2024	195,000	-	440,000	2,025,000	-	2,660,000
2025	-	-	500,000	-	-	500,000
2026	-	-	520,000	-	-	520,000
2027	-	-	540,000	-	-	540,000
2028	-	-	560,000	-	-	560,000
2029	-	-	580,000	-	-	580,000
2030	-	-	600,000	-	-	600,000
2031	-	-	-	-	-	-
2032	-	-	1,275,000	-	-	1,275,000
2033	-	-	-	-	-	-
2034	-	-	1,370,000	-	-	1,370,000
Total	<u>\$ 1,055,000</u>	<u>\$ 1,435,000</u>	<u>\$ 8,325,000</u>	<u>\$ 6,855,000</u>	<u>\$ 4,265,000</u>	<u>\$ 21,935,000</u>
Principal payments due the first day of	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	
Interest rate	2.50% - 4.50%	2.00% - 4.00%	2.00% - 4.00%	4.00%	4.00%	
Original issue	<u>\$ 2,265,000</u>	<u>\$ 4,145,000</u>	<u>\$ 9,300,000</u>	<u>\$ 7,600,000</u>	<u>\$ 4,265,000</u>	

See Accompanying Notes to the Financial Statements

# **Clawson Public Schools**

## **Single Audit Report**

**June 30, 2018**



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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

### **Independent Auditors' Report**

Management and the Board of Education  
Clawson Public Schools  
Clawson, MI

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clawson Public Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Clawson Public Schools' basic financial statements, and have issued our report thereon dated October 4, 2018.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Clawson Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clawson Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Clawson Public Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clawson Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Flint, MI

October 4, 2018

## **Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

### **Independent Auditors' Report**

Management and the Board of Education  
Clawson Public Schools  
Clawson, MI

#### **Report on Compliance for Each Major Federal Program**

We have audited Clawson Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Clawson Public Schools' major federal programs for the year ended June 30, 2018. Clawson Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Clawson Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clawson Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Clawson Public Schools' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Clawson Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

Management of Clawson Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clawson Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clawson Public Schools' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clawson Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Clawson Public Schools' basic financial statements. We issued our report thereon dated October 4, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Flint, MI  
October 4, 2018



**Clawson Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Award Number	Approved Grant Amount	Accrued (Unearned) Revenue at July 1, 2017	Prior Expenditures	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2018
U.S. Department of Agricultural									
Child Nutrition Cluster									
Passed through Michigan Department of Education									
Non-Cash Assistance (Commodities)									
National School Lunch Program (Entitlements)	10.555	N/A	\$ 43,745	\$ -	\$ -	\$ 39,487	\$ 39,487	\$ -	\$ -
Cash Assistance									
School Breakfast Program	10.553	171970	36,406	2,155	32,910	3,497	5,652	-	-
School Breakfast Program	10.553	181970	40,658	-	-	40,658	27,807	-	12,851
Total School Breakfast Program				2,155	32,910	44,155	33,459	-	12,851
National School Lunch Program	10.555	171960	250,399	12,664	226,601	23,798	36,462	-	-
National School Lunch Program	10.555	181960	226,295	-	-	226,295	157,008	-	69,287
Total National School Lunch Program				12,664	226,601	250,093	193,470	-	69,287
Total Cash Assistance				14,819	259,511	294,248	226,929	-	82,138
Total Nutrition Cluster				14,819	259,511	333,735	266,416	-	82,138
Child and Adult Care Food Program	10.558	171920	13,025	1,994	11,841	1,184	3,178	-	-
Child and Adult Care Food Program	10.558	181920	16,115	-	-	16,115	13,535	-	2,580
Total Child and Adult Care Food Program				1,994	11,841	17,299	16,713	-	2,580
Child and Adult Care Food Program - Cash in Lieu	10.558	172010	918	144	849	69	213	-	-
Child and Adult Care Food Program - Cash in Lieu	10.558	182010	806	-	-	806	676	-	130
Total Child and Adult Care Food Program - Cash in Lieu				144	849	875	889	-	130
Total Child and Adult Care Food Program				2,138	12,690	18,174	17,602	-	2,710
Total U.S. Department of Agricultural				16,957	272,201	351,909	284,018	-	84,848

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Clawson Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Award Number	Approved Grant Amount	Accrued (Unearned) Revenue at July 1, 2017	Prior Expenditures	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2018
U.S. Department of Education									
Special Education Cluster									
Passed through the Oakland Intermediate School District									
Special Education - Grants to States	84.027	160450	\$ 510,190	\$ 3,410	\$ 510,191	\$ -	\$ 3,410	\$ -	\$ -
Special Education - Grants to States	84.027	170450	530,456	272,603	523,925	6,621	279,224	-	-
Special Education - Grants to States	84.027	180450	552,288	-	-	518,514	346,473	-	172,041
Total Special Education - Grants to States				276,013	1,034,116	525,135	629,107	-	172,041
Special Education - Preschool Grants	84.173	170460	20,084	14,986	20,084	-	14,986	-	-
Special Education - Preschool Grants	84.173	180460	15,102	-	-	13,363	12,939	-	424
Total Special Education - Preschool Grants				14,986	20,084	13,363	27,925	-	424
Total Special Education Cluster				290,999	1,054,200	538,498	657,032	-	172,465
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	171530	92,711	31,799	91,395	57	31,856	-	-
Title I Grants to Local Educational Agencies	84.010	181530	74,748	-	-	74,748	56,847	-	17,901
Total Title I Grants to Local Educational Agencies				31,799	91,395	74,805	88,703	-	17,901
Passed through the Michigan Department of Education									
Supporting Effective Instruction State Grant	84.367	170520	44,556	11,734	25,910	-	11,734	-	-
Supporting Effective Instruction State Grant	84.367	180520	44,014	-	-	37,635	11,066	-	26,569
Total Supporting Effective Instruction State Grant				11,734	25,910	37,635	22,800	-	26,569
Passed through the Michigan Department of Education									
English Language Acquisition State Grants	84.365	170580	12,046	1,244	11,569	-	1,244	-	-
English Language Acquisition State Grants	84.365	180580	11,725	-	-	11,725	6,755	-	4,970
Total English Language Acquisition State Grants				1,244	11,569	11,725	7,999	-	4,970
English Language Acquisition State Grants	84.365	180570	16,445	-	-	5,580	5,500	-	80
Student Support and Academic Enrichment Program	84.424	180750	10,000	-	-	9,555	5,072	-	4,483
Total U.S. Department of Education				335,776	1,183,074	677,798	787,106	-	226,468
U.S. Department of Health and Human Services									
Medicaid Cluster									
Passed through Oakland Intermediate School District									
Medical Assistance Program	93.778	N/A	1,706	-	-	1,706	1,706	-	-
Total Federal Awards				\$ 352,733	\$ 1,455,275	\$ 1,031,413	\$ 1,072,830	\$ -	\$ 311,316

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Clawson Public Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Clawson Public Schools under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Clawson Public Schools, it is not intended to and does not present the financial position or changes in fund balances of Clawson Public Schools.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate**

Clawson Public Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Instead the State approved rate was applied.

**Note 3 - Reconciliation to the Financial Statements**

The federal revenues per the financial statements are in agreement with the schedule of expenditures of federal awards.

**Note 4 - Michigan Department of Education Disclosures**

Management has reported the expenditures in the SEFA equal to those amounts reported in the annual or final cost reports that have been submitted for that particular grant year.

**Clawson Public Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

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The federal amounts reported on the CMS Grant Auditor Report (GAR) are in agreement with the SEFA except for the following:

These grants were paid by June 30, 2018 per the GAR but not received by the District until after year end:

Differences from GAR to actual collection of receipts.	Grant	Reported on GAR	Reported on SEFA	Difference
School Breakfast Program	181970	\$ 40,658	\$ 27,807	\$ 12,851
National School Lunch Program	181960	226,295	157,008	69,287
CACFP Meals	181920	15,675	13,535	2,140
CACFP Meals	182010	784	678	106

These grants were paid by June 30, 2017 per the GAR in the previous year and received after year end:

Differences from GAR to actual collection of receipts.	Grant	Reported on GAR	Reported on SEFA	Difference
CACFP Meals	171920	\$ 1,598	\$ 3,178	\$ (1,580)
CACFP Meals	172010	98	213	(115)

The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with the SEFA for USDA donated food commodities.

**Note 5 - Funds Transferred to Subrecipients**

The Schools District did not transfer any federal funds to subrecipients during the fiscal year.

**Clawson Public Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

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**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	<u>      X      </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	<u>      X      </u>	None reported
Noncompliance material to financial statements noted?	_____ Yes	<u>      X      </u>	No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	<u>      X      </u>	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	<u>      X      </u>	None reported
Type of auditors' report issued on compliance for major programs:		<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?	_____ Yes	<u>      X      </u>	No

**Clawson Public Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

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Identification of major programs:

CFDA Numbers  
84.027/84.173

Name of Federal Program  
Special Education Cluster

Dollar threshold used to distinguish  
between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee:

X  Yes        No

**Section II - Financial Statement Findings**

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2018.

**Section III - Federal Award Findings and Questioned Costs**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2018.

**Clawson Public Schools**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2018**

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**Section IV - Financial Statement Findings**

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2017.

**Section V - Federal Award Findings and Questioned Costs**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2017.

October 4, 2018

Management and the Board of Education  
Clawson Public Schools  
Clawson, MI

We have completed our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clawson Public Schools as of and for the year ended June 30, 2018, and have issued our report dated October 4, 2018. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 29, 2018. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted the new Governmental Accounting Standards Board Statements as noted in the notes to the financial statements, effective July 1, 2017.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Clawson Public Schools' financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.



Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

## Regulatory and Other Updates

### Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. A recent study showed as many as four out of five U.S. companies have suffered from an attack. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached.

Risk assessment is a first step in mitigating cybersecurity risks and improving your School District's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at [www.nist.gov](http://www.nist.gov).

Placing significant emphasis on evaluating your School District's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat, and help lessen the impact of a breach.

### Uniform Guidance – Implementation of Federal Grant Procurement Standards

In May 2017, the federal government granted an additional one-year delay for implementation of the procurement standards under the Uniform Guidance. The grace period now extends through December 25, 2017. Therefore entities with fiscal years beginning on or after December 26, 2017 must have procurement standards, for federal expenditures, that meet the more stringent requirements of 2 CFR 200.317 to 326. For school districts, it will apply to fiscal year 2019 and therefore, must be in place starting July 1, 2018. It is imperative that your procurement policies – whatever they are documented as – be followed. The Uniform Guidance and the old guidance in the OMB Circulars provide minimum requirements that must be covered by an entity's procurement policies. If an entity's policies are stricter than the federal rules, the entity policies still must be followed. As you adopt new procurement policies, we also recommend that you consider separate policies for federal and non-federal expenditures to ease the administrative burden of certain federal requirements.

Michigan Department of Education has put out sample procedures covering all the required items, including procurement, on their website.

### Fiscal Year (FY) 2019 School Aid

The School Aid budget for FY 2019 was signed in June, 2018. Following are some significant highlights of the bill:

- The per pupil Foundation Grants for FY 2019 will increase by a range of \$120 to \$240 using the "2X formula." The increase will be added to the FY 2018 foundation grant resulting in the lowest foundation for FY 2018 being \$7,871 and the maximum state guaranteed foundation being \$8,409.
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
- The Section 31a At-Risk funding is maintained at \$499,000,000. Eligibility expanded to include grades K-12, from K-3, and shall use resources to address early literacy and numeracy through an evidence-based framework that uses data-driven problem solving through a multi-tiered system of supports. Adds language that for schools in which more than 40% of pupils are identified as At-Risk, a district may use the funds it receives to implement schoolwide reforms that are guided by the district's comprehensive needs assessment and are included in the district improvement plan. Allows for up to 5% to be used for professional development.
- The per pupil funding under Section 20f will be equal to the per pupil funding in 2017-18.
- A New Section 31m has been created as a separate account to improve mental health and support services for K-12 pupils. A deposit of \$30 million has been allocated for this purpose.

- A new Section 54d appropriates \$5 million in grant funds for intermediate districts to provide pilot programs for children from birth to 3 years of age with developmental disability and/or delay.
- Section 147c has a MPSERS rate cap funding set at \$1.03 billion, which is an increase of \$72 million. The rate cap is estimated at \$690 per pupil.
- Section 147e includes \$37.6 million allocated as a direct reimbursement for additional retirement costs for specific qualified participants due to PA 92 of 2017.

### Budget Assumptions & Early Warning

Each school district that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2015-2016 or 2016-2017 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

### Uniform Budgeting and Accounting Act (UBAA)

The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if fiscal adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the school district shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

### Current Operating Expenditures (COE) for UAAL

Effective for the plan year ended September 30, 2019, the percentage change in Current Operating Expenditures (COE) from one year to the next will be used to adjust the payroll on which the UAAL rate is charged. FY 2017 (September) reported payroll will be adjusted by the percent change in COE from 2016 to 2017 to establish the FY19 adjusted payroll. The capped UAAL rate of 20.96% continues to be used in the calculation. ORS has put examples on their website to walk the school district through the calculation.

- UAAL contributions will no longer be calculated on member wages reported throughout the FY.
- This did not affect the 2018 fiscal year, but will impact the 2019 fiscal year.
- The FY 2019 payment process for contributions will be spread out over all Employer Statements in State FY 2019 (October 2018 through September 2019).

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

There were no uncorrected misstatements that were more than trivial.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no disagreements with management during the audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

### *Management's Consultations with Other Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Emphasis of Matters in Independent Auditors' Report*

Our report will include the following emphasis of matter paragraph:

#### **Adoption of New Accounting Standards**

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

### *Other Reports*

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

### *Report on Required Supplementary Information*

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, schedule of the school district's OPEB contributions, and budgetary comparison information, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding 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.

### *Report on Other Supplementary Information*

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the

method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We discussed these matters with various personnel in the School District during the audit and we would also be pleased to meet with you to discuss these matters at your convenience.

*Restriction on Use*

These communications are intended solely for the information and use of management, the Board of Education, and others within the School District, and are not intended to be and should not be used by anyone other than those specified parties.

*Yeo & Yeo, P.C.*

Flint, Michigan