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Clawson Public Schools

Financial Statements

June 30, 2016

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Clawson Public Schools
Members of the Board of Education and Administration
June 30, 2016

Members of the Board of Education

Jessica Back	President
Ethan McClure	Vice President
Andrea Hodges	Treasurer
Kimberley Carlesimo	Secretary
Kevin Sheridan	Trustee
Kevin Turner	Trustee
Thomas Reed, Jr.	Trustee

Administration

Monique Beels	Superintendent
Tammie Schadd	Director of Business Services

Independent Auditors' Report

To the Board of Education
Clawson Public Schools
Clawson, Michigan

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, 2016, 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, 2016, 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, 2016, the School District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and No. 82, Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. 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, the schedule of the school district's proportionate share of net pension liability, and schedule of the school district's 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 26, 2016 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 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 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 26, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**



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, 2016. 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 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, 2011 Technology Bond 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, 2016**

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.

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

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.

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 \$(18,685,044) and \$(19,383,732) at June 30, 2015 and 2016, respectively. Of those amounts, \$64,292 and \$49,475 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 \$9,098,517 and \$9,019,269. 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, 2016, of \$(28,452,476) 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, 2015 and 2016.

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

	June 30, 2015	June 30, 2016
Assets		
Current assets	\$ 13,564,597	\$ 5,730,030
Capital assets	62,037,390	68,102,445
Less: Accumulated depreciation	(30,095,780)	(31,853,881)
Capital assets, net book value	<u>31,941,610</u>	<u>36,248,564</u>
Total assets	<u>45,506,207</u>	<u>41,978,594</u>
Deferred outflows of resources		
Deferred amount on debt refunding	368,082	399,934
Pension expense related to net pension liability	<u>3,064,375</u>	<u>2,545,632</u>
Total assets and deferred outflows of resources	<u>48,938,664</u>	<u>44,924,160</u>
Liabilities		
Current liabilities	6,318,711	5,030,063
Long-term liabilities	<u>58,099,653</u>	<u>58,471,420</u>
Total liabilities	<u>64,418,364</u>	<u>63,501,483</u>
Deferred inflows of resources		
Net pension liability	<u>3,205,344</u>	<u>806,409</u>
Total liabilities and deferred inflows of resources	<u>67,623,708</u>	<u>64,307,892</u>
Net Position		
Net investment in capital assets	9,098,517	9,019,269
Restricted for debt service	13,188	19,652
Restricted for food service	51,104	29,823
Unrestricted	<u>(27,847,853)</u>	<u>(28,452,476)</u>
Total net position	<u>\$ (18,685,044)</u>	<u>\$ (19,383,732)</u>

**Clawson Public Schools
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

Analysis of Financial Position

During the fiscal year ended June 30, 2016, 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 2016. New debt was issued for the refunding of prior bonds issued in 2006.

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
2016 Refunding	\$ -	\$ 6,855,000.00	\$ -	\$ 6,855,000
2015 Refunding	4,805,000	-	1,435,000	3,370,000
2014 Building & Site Bonds	9,300,000	-	310,000	8,990,000
2011 Technology Bond	2,865,000	-	455,000	2,410,000
2006 Refunding	7,600,000	-	7,600,000	-
2007 Refunding	4,380,000	-	-	4,380,000
2009 Building & site bonds	1,490,000	-	140,000	1,350,000
	<u>\$ 30,440,000</u>	<u>\$ 6,855,000</u>	<u>\$ 9,940,000</u>	<u>\$ 27,355,000</u>

**Clawson Public Schools
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

C. Net Investment in Capital Assets

The District’s net investment in capital assets decreased by about \$80,000 during the fiscal year as a result of accumulated depreciation exceeding additions and change in related debt. Change in Capital Assets is as follows:

	Balance June 30, 2015	Additions	Disposals	Balance June 30, 2016
Capital Assets	\$ 60,461,058	\$ 2,073,112	\$ -	\$ 62,534,170
Less: Accumulated depreciation	<u>(30,095,780)</u>	<u>(1,758,101)</u>	<u>-</u>	<u>(31,853,881)</u>
Net capital assets being depreciated	<u>\$ 30,365,278</u>	<u>\$ 315,011</u>	<u>\$ -</u>	<u>\$ 30,680,289</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; and preparing, developing and improving sites at school buildings and other facilities.

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

Results of Operations

For fiscal years ending June 30, 2015 and 2016, the district wide results of operations were:

	<u>June 30, 2015</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	<u>June 30, 2016</u>
Revenues			Expenses		
General Revenues:			Governmental activities		
Property taxes - general operations	\$ 1,808,758	\$ 1,892,695	Instruction	\$ 14,067,054	\$ 14,164,071
Property taxes - debt service	2,722,638	2,807,300	Supporting Services	9,720,960	9,514,576
State unrestricted foundation aid	11,619,232	10,942,307	Food services	700,727	703,563
Other general revenues	1,067,150	361,621	Community services	988,035	887,960
Total general revenues	<u>17,217,778</u>	<u>16,003,923</u>	Interest and other charges	<u>1,080,162</u>	<u>1,178,285</u>
Operating Grants:			Total expenses	<u>26,556,938</u>	<u>26,448,455</u>
Federal	627,775	1,391,496	Change in net position	485,014	(698,688)
State of Michigan	3,666,503	3,645,549			
Other operating grants	2,444,333	3,128,225			
Total operating grants	<u>6,738,611</u>	<u>8,165,270</u>	Beginning net position	<u>(19,170,058)</u>	<u>(18,685,044)</u>
Charges for services:					
Food service	286,444	295,165	Ending net position	<u>\$ (18,685,044)</u>	<u>\$ (19,383,732)</u>
Community services	765,713	885,521			
Other charges for services	2,033,406	399,888			
Total charges for services	<u>3,085,563</u>	<u>1,580,574</u>			
Total revenue	<u>\$ 27,041,952</u>	<u>\$ 25,749,767</u>			

**Clawson Public Schools
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

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 \$8,085 per student for the 2015-2016 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 2015-2016, the blended count was 1,670.16 students. The District’s enrollment has decreased in the last 5 years, but was 5 students higher in 2015-2016 than the enrollment in the 2006-2007 fiscal year. Enrollment is expected to increase for the 2016-2017 fiscal year.

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Increase/ (Decrease)</u>
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)
2007-2008	1,816	151
2006-2007	1,665	143

**Clawson Public Schools
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

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. 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 2015-2016 fiscal year was \$1,828,731. The non-homestead tax levy revenues increased by \$51,270 over 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:

Fiscal Year	Non-homestead Tax Levy
2015-2016	\$ 1,828,731
2014-2015	1,777,461
2013-2014	1,739,990
2012-2013	1,680,653
2011-2012	1,704,064

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 2015-2016, the debt millage was 8.65 mills, and was unchanged from the 2014-2015 fiscal year. The millage generated revenue in the amount of \$2,807,300 in the 2015-2016 fiscal year compared to \$2,722,638 in 2014-2015.

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

General Fund Budget & Actual Revenues and Expenditures

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

<u>Fiscal Year</u>	<u>Revenue Original Budget</u>	<u>Revenue Final Budget</u>	<u>Revenue Final Actual</u>	<u>Variance Actual & Original Budget</u>	<u>Revenue Variance Actual & Final Budget</u>
2011-2012	21,674,236	22,014,925	21,696,843	0.10%	-1.44%
2012-2013	21,731,127	21,725,322	21,642,632	-0.41%	-0.38%
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%

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

<u>Fiscal Year</u>	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Variance Actual & Original Budget</u>	<u>Expenditures Variance Actual & Final Budget</u>
2011-2012	21,537,803	22,274,523	21,738,010	0.93%	-2.41%
2012-2013	21,702,231	21,891,573	22,444,429	3.42%	2.53%
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%

**Clawson Public Schools
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

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, 2016, the budget was reviewed quarterly and amended twice. The June 20, 2016 budget amendment was the final budget for the fiscal year.

Change from Original to Final Budget – General Fund Revenues:

	Amount of Budget	Variance
Total Revenues, Original budget	\$ 21,917,928	100.00%
Total Revenues, Final budget	21,755,037	99.26%
Increase in Budgeted Revenues	\$ <u>(162,891)</u>	-0.74%

The District’s original general fund revenue budget differed from the final budget by \$(163,000), a variance of -0.74 % 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	\$ 22,134,404	100.00%
Total Expenditures, Final budget	<u>22,463,427</u>	101.49%
Increase in Budgeted Expenditures	\$ <u>329,023</u>	1.49%

As reflected above, the District’s final expenditure budget exceeded the original budget by 1.49%.

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

Economic Factors and Next Year's Budgets

Our Board of Education and administration considered many factors when setting the School District's 2016-2017 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 2016-2017 fiscal year is based on 90% of the October 2016 count plus 10% of the February 2016 count. Enrollment from the October 2016 count is expected to be over 100 students higher than the estimated enrollment used for the 2016-2017 budget. For the 2016-2017 budget, enrollment was estimated to decrease 63 students and the foundation allowance was budgeted at \$8,172 per student. The budgeted blended count of 1,599 is now projected to increase to approximately 1,713, and the foundation allowance is currently expected to be the amount budgeted. Assuming \$8,172 per student and 1,713 students, District foundation revenue will be approximately \$930,000 more than the budgeted amount.

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

Clawson Public Schools
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash	\$ 2,617,483
Accounts receivable	7,567
Due from other governmental units	3,053,366
Inventory	10,218
Prepaid items	41,396
Capital assets not being depreciated	5,568,275
Capital assets - net of accumulated depreciation	<u>30,680,289</u>
Total assets	<u>41,978,594</u>
Deferred outflows of resources	
Deferred amount relating to the net pension liability	2,545,632
Deferred amount on debt refunding	<u>399,934</u>
Total deferred outflows of resources	<u>2,945,566</u>
Total assets and deferred outflows of resources	<u>44,924,160</u>

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Statement of Net Position
June 30, 2016

	Governmental Activities
Liabilities	
Accounts payable	\$ 147,206
Due to other governmental units	223,192
Due to agency fund activities	90,297
Payroll deductions and withholdings	395,029
Accrued expenditures	469,240
Accrued salaries payable	1,041,924
Unearned revenue	25,175
Noncurrent liabilities	
Net pension liability	31,317,205
Debt due within one year	2,638,000
Debt due in more than one year	27,154,215
Total liabilities	63,501,483
 Deferred inflows of resources	
Deferred amount on net pension liability	806,409
 Total liabilities and deferred inflows of resources	 64,307,892
 Net Position	
Net investment in capital assets	9,019,269
Restricted for	
Food service	29,823
Debt service	19,652
Unrestricted	(28,452,476)
 Total net position	 \$ (19,383,732)

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Statement of Activities
For the Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions		
Functions/Programs				
Governmental activities				
Instruction	\$ 14,164,071	\$ 87,061	\$ 6,986,778	\$ (7,090,232)
Supporting services	9,514,576	312,827	951,458	(8,250,291)
Food services	703,563	295,165	227,034	(181,364)
Community services	887,960	885,521	-	(2,439)
Interest and other charges	1,178,285	-	-	(1,178,285)
Total governmental activities	\$ 26,448,455	\$ 1,580,574	\$ 8,165,270	(16,702,611)
General revenues				
Property taxes, levied for general purposes				1,892,695
Property taxes, levied for debt service				2,807,300
State aid - unrestricted				10,942,307
Interest and investment earnings				10,739
Other				350,882
Total general revenues				16,003,923
Change in net position				(698,688)
Net position - beginning				(18,685,044)
Net position - ending				\$ (19,383,732)

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Debt Service	2011 Technology Bond	2014 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 473,692	\$ 118,497	\$ 438,101	\$ 1,450,299	\$ 136,894	\$ 2,617,483
Accounts receivable	7,567	-	-	-	-	7,567
Due from other funds	-	81,155	86,930	70,029	9,016	247,130
Due from other governmental units	3,031,756	-	-	-	21,610	3,053,366
Inventory	-	-	-	-	10,218	10,218
Prepaid items	3,396	-	-	-	38,000	41,396
	<u>3,516,411</u>	<u>199,652</u>	<u>525,031</u>	<u>1,520,328</u>	<u>215,738</u>	<u>5,977,160</u>
Total assets	<u>\$ 3,516,411</u>	<u>\$ 199,652</u>	<u>\$ 525,031</u>	<u>\$ 1,520,328</u>	<u>\$ 215,738</u>	<u>\$ 5,977,160</u>
Liabilities						
Accounts payable	\$ 135,292	\$ -	\$ 809	\$ -	\$ 11,105	\$ 147,206
Due to other funds	87,172	-	-	-	159,958	247,130
Due to other governmental units	217,737	-	-	-	5,455	223,192
Due to agency fund activities	90,297	-	-	-	-	90,297
Payroll deductions and withholdings	394,031	-	-	-	998	395,029
Accrued expenditures	282,919	-	-	-	6,321	289,240
Accrued salaries payable	1,041,478	-	-	-	446	1,041,924
Unearned revenue	25,175	-	-	-	-	25,175
	<u>2,274,101</u>	<u>-</u>	<u>809</u>	<u>-</u>	<u>184,283</u>	<u>2,459,193</u>
Total liabilities	<u>2,274,101</u>	<u>-</u>	<u>809</u>	<u>-</u>	<u>184,283</u>	<u>2,459,193</u>
Deferred inflow of resources						
Total deferred inflow of resources	<u>45,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,055</u>

See Accompanying Notes to the Financial Statements

**Clawson Public Schools
Governmental Funds
Balance Sheet
June 30, 2016**

	General Fund	Debt Service	2011 Technology Bond	2014 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance						
Non-spendable						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 10,218	\$ 10,218
Prepaid items	3,396	-	-	-	38,000	41,396
Restricted for:						
Debt service	-	199,652	-	-	-	199,652
Capital projects	-	-	524,222	1,520,328	-	2,044,550
Assigned for:						
Food service	-	-	-	-	(18,395)	(18,395)
Community education	-	-	-	-	1,632	1,632
Budgeted excess expenditures over revenues	699,249	-	-	-	-	699,249
Unassigned	494,610	-	-	-	-	494,610
Total fund balance	<u>1,197,255</u>	<u>199,652</u>	<u>524,222</u>	<u>1,520,328</u>	<u>31,455</u>	<u>3,472,912</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,516,411</u>	<u>\$ 199,652</u>	<u>\$ 525,031</u>	<u>\$ 1,520,328</u>	<u>\$ 215,738</u>	<u>\$ 5,977,160</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, 2016

Total fund balances for governmental funds	\$	3,472,912
Total net position for governmental activities in the statement of net position is different because Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets not being depreciated		5,568,275
Capital assets - net of accumulated depreciation		30,680,289
Deferred outflows (inflows) of resources		
Deferred outflows of resources resulting from debt refunding		399,934
Deferred outflow of resources resulting from the net pension liability		2,545,632
Deferred inflows of resources resulting from net pension liability		(806,409)
Deferred inflows in the fund statements are recognized as financial resources in governmental activities		
Deferred inflows of resources		45,055
Certain liabilities are not due and payable in the current period and are not reported in the funds.		
Accrued interest		(180,000)
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		(31,317,205)
Compensated absences		(104,565)
Bonds payable		(29,114,432)
School bond loan payable		(429,720)
Accrued interest on school bond loan		(5,871)
Other liabilities		(137,627)
Net position of governmental activities	\$	<u>(19,383,732)</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, 2016

	General Fund	Debt Service	2011 Technology Bond	2014 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Local sources	\$ 2,845,693	\$ 2,807,436	\$ 153	\$ 20,214	\$ 1,136,894	\$ 6,810,390
State sources	14,557,857	-	-	-	29,999	14,587,856
Federal sources	1,086,877	-	-	-	304,619	1,391,496
Interdistrict sources	3,055,438	-	-	-	-	3,055,438
Total revenues	21,545,865	2,807,436	153	20,214	1,471,512	25,845,180
Expenditures						
Current						
Education						
Instruction	12,110,954	-	-	-	-	12,110,954
Supporting services	8,439,469	-	-	-	-	8,439,469
Food services	-	-	-	-	651,437	651,437
Community services	23,576	-	-	-	746,190	769,766
Intergovernmental payments	683,316	-	-	-	-	683,316
Capital outlay	420,017	-	139,579	5,968,570	-	6,528,166
Debt service						
Principal	150,480	2,200,000	-	-	-	2,350,480
Interest and other expenditures	63,233	950,921	-	-	-	1,014,154
Bond issuance costs	-	109,962	-	-	-	109,962
Payment to refunding escrow agent	-	7,748,745	-	-	-	7,748,745
Total expenditures	21,891,045	11,009,628	139,579	5,968,570	1,397,627	40,406,449
Excess (deficiency) of revenues over expenditures	(345,180)	(8,202,192)	(139,426)	(5,948,356)	73,885	(14,561,269)

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, 2016

	General Fund	Debt Service	2011 Technology Bond	2014 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)						
Proceeds form issuance of debt	\$ -	\$ 6,855,000	\$ -	\$ -	\$ -	\$ 6,855,000
Premium on issuance of debt	-	1,004,222	-	-	-	1,004,222
Proceeds from school bond loan fund	-	339,434	-	-	-	339,434
Capital leases	140,107	-	-	-	-	140,107
Insurance recoveries	291,474	-	-	-	-	291,474
Transfers in	95,166	-	-	-	-	95,166
Transfers out	-	-	-	-	(95,166)	(95,166)
 Total other financing sources (uses)	 <u>526,747</u>	 <u>8,198,656</u>	 <u>-</u>	 <u>-</u>	 <u>(95,166)</u>	 <u>8,630,237</u>
 Net change in fund balance	 181,567	 (3,536)	 (139,426)	 (5,948,356)	 (21,281)	 (5,931,032)
 Fund balance - beginning	 <u>1,015,688</u>	 <u>203,188</u>	 <u>663,648</u>	 <u>7,468,684</u>	 <u>52,736</u>	 <u>9,403,944</u>
 Fund balance - ending	 <u>\$ 1,197,255</u>	 <u>\$ 199,652</u>	 <u>\$ 524,222</u>	 <u>\$ 1,520,328</u>	 <u>\$ 31,455</u>	 <u>\$ 3,472,912</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, 2016

Net change in fund balances - Total governmental funds	\$ (5,931,032)
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	(427,806)
Insurance proceeds	40,919
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	(1,758,101)
Capital outlay	6,065,055
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 the deferred inflow of resources related to the net pension liability	2,911,311
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	(3,364,111)
Expenses are recorded when incurred in the statement of activities.	
Interest	4,713
Special termination benefits	52,000
Compensated absences	6,784
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 bonds	(6,995,107)
Proceeds from premium on debt	(1,004,222)
Proceeds from issuance of school bond loan fund debt	(339,434)
Repayments of long-term debt	10,099,225
Amortization of premium and discount	140,807
Amortization of discount	(82,796)
Amortization of deferred amount on refunding	(116,893)
Change in net position of governmental activities	\$ (698,688)

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	\$ 3,771	\$ 40,472
Due from Clawson Public Schools	-	90,297
Total assets	\$ 3,771	\$ 130,769
Liabilities		
Accounts payable	\$ -	1,863
Due to student groups	-	128,906
Total liabilities	-	\$ 130,769
Net Position		
Assets held in trust for scholarships and loans	\$ 3,771	

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, 2016

	Private Purpose Trust Funds
Additions	
Local sources	\$ 1,887
Deductions	
Scholarships	600
Revolving activities	2,433
Total deductions	3,033
Change in net position	(1,146)
Net position - beginning	4,917
Net position - ending	\$ 3,771

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Notes to the Financial Statements
June 30, 2016

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. 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 under accrual accounting. However, debt service expenditures, as

Clawson Public Schools
Notes to the Financial Statements
June 30, 2016

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.

2011 Technology Bond – This capital projects fund is used to record the bond proceeds and other revenue and disbursements of invoices specifically for technology equipment.

2014 Capital Projects Fund – This capital projects fund is used to record the bond proceeds and other revenue and disbursements of invoices specifically for technology equipment.

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. Operating deficits generated by these activities are generally covered by transfers from the General Fund.

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, 2015, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.0000
Debt Service Funds	8.6500

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. The entire tax roll of the School District lies within Oakland County.

Clawson Public Schools
Notes to the Financial Statements
June 30, 2016

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 estimated fair market 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 financial 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 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 expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability 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, 2016

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.

Deferred Inflows of Resource - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For the governmental funds this includes unavailable revenues in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension 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 expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining

service lives of the employees and retirees in the plan. 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.

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.

Clawson Public Schools
Notes to the Financial Statements
June 30, 2016

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

The Governmental Accounting Standards Board (“The GASB”) has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value.

GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and

addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

GASB No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

GASB No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

Upcoming Accounting and Reporting Changes

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will

Clawson Public Schools
Notes to the Financial Statements
June 30, 2016

improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

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.

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

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.

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.

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Notes to the Financial Statements
June 30, 2016

Excess of Expenditures over Appropriations

The School District's significant expenditure budget variances are as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil	\$ 1,823,441	\$ 1,823,954	\$ 513
Operations and maintenance	1,885,272	1,889,431	4,159

Compliance Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For this capital projects, management believes the school district has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2011 Technology Bond Fund as well as the 2014 Building & Site Bond Fund from the inception of the funds through the current fiscal year:

	2011 Technology Bond Fund	2014 Building & Site Bond Fund
Revenues	\$ 4,205,266	\$ 9,991,695
Expenditures	3,681,044	8,467,622

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$ 28,452,475 as of June 30, 2016.

Fund Deficits

The School District has an accumulated unassigned fund balance deficit in the Food Service Fund in the amount of \$ 18,395 as of June 30, 2016. The deficit is expected to be eliminated in the subsequent fiscal year.

Note 3 - Deposits And Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 2,617,483	\$ 44,243	\$ 2,661,726

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 2,660,501
Petty cash and cash on hand	1,225
Total	\$ 2,661,726

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, 2016, the School District had no investments.

Clawson Public Schools
Notes to the Financial Statements
June 30, 2016

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, \$ 2,995,405 of the School District's bank balance of \$ 3,245,405 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	1,536,332	5,528,275	1,536,332	5,528,275
Total capital assets not being depreciated	<u>1,576,332</u>	<u>5,528,275</u>	<u>1,536,332</u>	<u>5,568,275</u>
Capital assets being depreciated				
Buildings and additions	53,125,653	1,620,066	-	54,745,719
Equipment and furniture	6,920,171	453,046	-	7,373,217
Buses and other vehicles	415,234	-	-	415,234
Total capital assets being depreciated	<u>60,461,058</u>	<u>2,073,112</u>	<u>-</u>	<u>62,534,170</u>
Less accumulated depreciation for				
Buildings and additions	24,211,533	1,148,780	-	25,360,313
Equipment and furniture	5,506,098	572,236	-	6,078,334
Buses and other vehicles	378,149	37,085	-	415,234
Total accumulated depreciation	<u>30,095,780</u>	<u>1,758,101</u>	<u>-</u>	<u>31,853,881</u>
Net capital assets being depreciated	<u>30,365,278</u>	<u>315,011</u>	<u>-</u>	<u>30,680,289</u>
Net capital assets	<u>\$ 31,941,610</u>	<u>\$ 5,843,286</u>	<u>\$ 1,536,332</u>	<u>\$ 36,248,564</u>

Depreciation for the fiscal year ended June 30, 2016 amounted to \$ 1,758,101.

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

Governmental activities	
Instruction	\$ 969,081
Support services	675,300
Food services	52,126
Community education	<u>61,594</u>
Total governmental activities	<u>\$ 1,758,101</u>

Construction Contracts

As of year end, the School District had the following construction contracts in progress:

	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
Various Projects	<u>\$ 642,088</u>	<u>\$ 420,081</u>	<u>\$ -</u>

All projects are expected to be complete by June 30, 2017.

Clawson Public Schools
Notes to the Financial Statements
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Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
Debt Service	General Fund	\$ 81,155
2011 Technology Bond	General Fund	6,017
2011 Technology Bond	Food Service	80,913
Community Education	Food Service	9,016
2014 Capital Projects	Food Service	<u>70,029</u>
		<u>\$ 247,130</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.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year, from the Community Service Fund to the General Fund totaling \$ 95,166 to cover costs related to occupancy and administration incurred by the General Fund on behalf of the Community Service Fund.

Note 6 - Leases

Operating Leases

The School District leases a pickup truck under non-cancelable operating leases. The future minimum lease payments for these leases are as follows:

Year ending June 30,	
2017	<u>\$ 8,297</u>

Capital Leases

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

Year Ending June 30,	
2017	\$ 28,912
2018	31,440
2019	31,440
2020	31,440
2021	<u>17,840</u>
Total minimum lease payments	141,072
Less amount representing interest	<u>(14,065)</u>
Present value of minimum lease payments	<u>\$ 127,007</u>

The assets acquired through capital lease are as follows:

Assets	
Machinery and equipment	\$ 140,107
Less accumulated depreciation	<u>(8,340)</u>
Total	<u>\$ 131,767</u>

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:

	<u>Unearned</u>
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 25,175</u>

Clawson Public Schools
Notes to the Financial Statements
June 30, 2016

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, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 30,440,000	\$ 8,758,975	\$ 11,843,975	\$ 27,355,000	\$ 2,630,000
School Bond Loan	90,286	339,434	-	429,720	-
Accrued Interest on School Bond Loan Fund	584	-	(5,287)	5,871	-
Unamortized bond premium	915,355	1,004,222	140,807	1,778,770	-
Unamortized bond discount	(102,134)	-	(82,796)	(19,338)	-
Vacation payable	22,294	-	3,607	18,687	-
Sick days payable	89,055	-	3,177	85,878	-
Capital lease	-	140,107	10,480	129,627	-
Retirement incentives	60,000	-	52,000	8,000	8,000
Total	\$ 31,515,440	\$ 10,242,738	\$ 11,965,963	\$ 29,792,215	\$ 2,638,000

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

2007 Refunding bonds payable with interest at 4.00% and final maturity in 2021	\$ 4,380,000
2009 Building and site bonds payable with interest at 2.50% to 4.50% and final maturity in 2024	1,350,000
2011 Technology bonds payable with interest at 2.00% to 4.00% and final maturity in 2021	2,410,000
2014 Building and Site Bonds payable with interest at 2.00% to 4.00% and final maturity in 2034	8,990,000
2015 Refunding bonds payable with interest at 2.00% to 4.00% and final maturity in 2018	3,370,000
2016 Refunding bonds payable with interest at 4.00% and final maturity in 2024	<u>6,855,000</u>
Total general obligation bonded debt	\$ <u>27,355,000</u>

For governmental activities, compensated absences and retirement incentives are primarily liquidated by the General Fund.

The General obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 199,652 to pay this debt. Future debt and interest will be payable from future tax levies.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2017	\$ 2,630,000	\$ 1,092,376	\$ 3,722,376
2018	2,675,000	981,901	3,656,901
2019	2,785,000	875,275	3,660,275
2020	2,890,000	768,825	3,658,825
2021	2,505,000	640,593	3,145,593
2022-2026	8,425,000	1,523,275	9,948,275
2027-2031	2,800,000	785,000	3,585,000
2032-2036	<u>2,645,000</u>	<u>321,200</u>	<u>2,966,200</u>
Total	<u>\$ 27,355,000</u>	<u>\$ 6,988,445</u>	<u>\$ 34,343,445</u>

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were \$ 73,713 and \$ 950,921 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.

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 ninety days. The estimated

contingent liability including employee taxes for these benefits as of June 30, 2015 is \$ 85,878. The liability is measured using the Termination Method.

Accrued vacation at year end, consist of \$ 18,687 of vacation hours earned and vested. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year or liquidated by the originating fund.

Retirement Benefits

In 2011, the School District offered a voluntary separation incentive plan to employees to be paid over a five year period. The balance as of year end was \$ 8,000. Retirement benefits will be liquidated by the general fund.

Future payments of these benefits are as follows:

Year Ending June 30,	
2017	<u>\$ 8,000</u>

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 insistence 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

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June 30, 2016

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	\$ 10,200,000
1998 Issue refunded in 2006	6,545,000
1998 Issue refunded in 2007	4,245,000

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.

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

Organization

The Michigan Public School Employees' Retirement System (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 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 at www.michigan.gov/mpsers-cafr.

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

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amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation and 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 member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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 and Funding Status

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 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, 2015 valuation will be amortized over a 21 year period for the plan's 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	22.52 - 23.07%
Member Investment Plan	3.0 - 7.0	22.52 - 23.07
Pension Plus	3.0 - 6.4	21.99
Defined Contribution	0.0	17.72 - 18.76

Required contributions to the pension plan from the School District were \$ 2,473,486 for the year ending September 30, 2015.

Net Pension Liability

June 30, 2016, the School District reported a liability of \$ 31,317,205 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2015, the School District's proportionate share percent was .1282 percent, which was a decrease of .0034 percent since the prior measurement date.

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

For the year ended June 30, 2016, the School District recognized total pension expense of \$ 2,477,320. The School District's actual contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$ 2,025,672, \$ 2,369,531, and \$ 1,961,910, respectively.

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At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (103,732)
Changes in assumptions	771,096	-
Net difference between projected and actual earnings on pension plan investments	159,849	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(630,155)
Employer contributions subsequent to the measurement date	1,614,687	(72,522)
	\$ 2,545,632	\$ (806,409)

\$ 1,614,687 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, 2017. \$72,522 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2017 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount:
2016	\$ (81,776)
2017	(81,776)
2018	(123,541)
2019	484,151
Total	\$ 197,058

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.

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2014
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - 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
- Healthcare Cost Trend Rate: 8.5% 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.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.7158 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

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 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, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
	100.0%	

*Long term rate of return does not include 2.1% inflation

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (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

Clawson Public Schools
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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 a discount rate of 8.0% (7.0% for the Pension Plus 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-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 40,375,905	\$ 31,317,205	\$ 23,680,350

*Non-university employers, 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.

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2015 MPSERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan

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

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for

eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2015 through September 30, 2015, and October 1, 2015 through June 30, 2016, the employer contribution rate ranged from 2.20% to 2.71% and 6.40% to 6.83%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$ 612,627, \$ 381,048, and \$ 795,045, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2016, the School District had contributions in the amount of \$ 1,227,009 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 10.53% for the year ending June 30, 2016.

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June 30, 2016

Note 11 - 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, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

Clawson Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Local sources	\$ 3,029,933	\$ 3,053,483	\$ 2,845,693	\$ (207,790)
State sources	14,924,196	14,562,110	14,557,857	(4,253)
Federal sources	645,034	1,098,112	1,086,877	(11,235)
Interdistrict sources	3,318,765	3,041,332	3,055,438	14,106
Total revenues	21,917,928	21,755,037	21,545,865	(209,172)
Expenditures				
Instruction				
Basic programs	8,581,431	8,352,127	8,240,822	(111,305)
Added needs	4,161,549	4,067,327	3,870,132	(197,195)
Supporting services				
Pupil	1,798,224	1,823,441	1,823,954	513
Instructional staff	459,206	643,733	622,423	(21,310)
General administration	988,491	1,014,721	911,883	(102,838)
School administration	1,271,932	1,091,423	1,058,557	(32,866)
Business	364,124	413,379	394,017	(19,362)
Operations and maintenance	1,921,935	1,885,272	1,889,431	4,159
Pupil transportation services	995,384	1,041,918	1,003,640	(38,278)
Central	398,724	392,900	369,189	(23,711)
Athletic activities	252,467	390,156	366,375	(23,781)
Community services	35,766	28,282	23,576	(4,706)
Intergovernmental payments	687,003	683,316	683,316	-
Capital outlay	9,555	421,719	420,017	(1,702)
Debt service				
Principal	150,480	150,480	150,480	-
Interest and fiscal charges	58,133	63,233	63,233	-
Total expenditures	22,134,404	22,463,427	21,891,045	(572,382)

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over expenditures	\$ (216,476)	\$ (708,390)	\$ (345,180)	\$ 363,210
Other Financing Sources (Uses)				
Capital leases	-	140,107	140,107	-
Insurance recoveries	-	288,972	291,474	2,502
Transfers in	<u>35,000</u>	<u>80,000</u>	<u>95,166</u>	<u>15,166</u>
Total other financing sources (uses)	<u>35,000</u>	<u>509,079</u>	<u>526,747</u>	<u>17,668</u>
Net change in fund balance	(181,476)	(199,311)	181,567	380,878
Fund balance - beginning	<u>1,015,688</u>	<u>1,015,688</u>	<u>1,015,688</u>	<u>-</u>
Fund balance - ending	<u>\$ 834,212</u>	<u>\$ 816,377</u>	<u>\$ 1,197,255</u>	<u>\$ 380,878</u>

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)

		June 30,									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A.	Reporting unit's proportion of net pension liability (%)	0.1282%	0.13159%								
B.	Reporting unit's proportionate share of net pension liability	\$ 31,317,205	\$ 28,984,213								
C.	Reporting unit's covered-employee payroll	\$ 10,733,340	\$ 11,243,910								
D.	Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	291.78%	257.78%								
E.	Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%								

See Accompanying Notes to the Financial Statements

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

		For the Years Ended June 30									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A.	Statutorily required contributions	\$ 2,025,672	\$ 2,369,531								
B.	Contributions in relation to statutorily required contributions	<u>2,025,672</u>	<u>2,369,531</u>								
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
D.	Reporting unit's covered-employee payroll	10,159,727	10,859,103								
E.	Contributions as a percentage of covered-employee payroll	19.94%	21.82%								

Notes:

Benefit changes - There were no changes of benefit terms in 2015-16.

Changes in assumptions - There were no changes of benefit assumptions in 2015-16.

OTHER SUPPLEMENTARY INFORMATION

Clawson Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Community Education	
Assets			
Cash	\$ 136,394	\$ 500	\$ 136,894
Due from other funds	-	9,016	9,016
Due from other governmental units	21,610	-	21,610
Inventory	10,218	-	10,218
Prepaid items	38,000	-	38,000
Total assets	<u>\$ 206,222</u>	<u>\$ 9,516</u>	<u>\$ 215,738</u>
Liabilities			
Accounts payable	\$ 11,105	\$ -	\$ 11,105
Due to other funds	159,958	-	159,958
Due to other governmental units	4,021	1,434	5,455
Payroll deductions and withholdings	869	129	998
Accrued expenditures	-	6,321	6,321
Accrued salaries payable	446	-	446
Total liabilities	<u>176,399</u>	<u>7,884</u>	<u>184,283</u>
Fund Balance			
Non-spendable			
Inventory	10,218	-	10,218
Prepaid items	38,000	-	38,000
Assigned for:			-
Food service	(18,395)		(18,395)
Community education	-	1,632	1,632
Total fund balance	<u>29,823</u>	<u>1,632</u>	<u>31,455</u>
Total liabilities deferred inflows and fund balance	<u>\$ 206,222</u>	<u>\$ 9,516</u>	<u>\$ 215,738</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, 2016

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Community Education	
Revenues			
Local sources	\$ 295,538	\$ 841,356	\$ 1,136,894
State sources	29,999	-	29,999
Federal sources	304,619	-	304,619
	<u>630,156</u>	<u>841,356</u>	<u>1,471,512</u>
Total revenues			
Expenditures			
Current			
Education			
Food services	651,437	-	651,437
Community services	-	746,190	746,190
	<u>651,437</u>	<u>746,190</u>	<u>1,397,627</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(21,281)</u>	<u>95,166</u>	<u>73,885</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, 2016

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Community Education	
Other Financing Sources (Uses)			
Transfers out	\$ -	\$ (95,166)	\$ (95,166)
Net change in fund balance	(21,281)	-	(21,281)
Fund balance - beginning	51,104	1,632	52,736
Fund balance - ending	<u>\$ 29,823</u>	<u>\$ 1,632</u>	<u>\$ 31,455</u>

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2016

Year Ending June 30,	2007 Refunding	2009 Building and Site	2011 School Technology	2014 Building and Site	2015 Refunding	2016 Refunding	Total
2017	\$ -	\$ 145,000	\$ 495,000	\$ 325,000	\$ 1,665,000	\$ -	\$ 2,630,000
2018	-	150,000	480,000	340,000	1,705,000	-	2,675,000
2019	1,795,000	160,000	475,000	355,000	-	-	2,785,000
2020	1,885,000	165,000	475,000	365,000	-	-	2,890,000
2021	700,000	170,000	485,000	390,000	-	760,000	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>\$ 4,380,000</u>	<u>\$ 1,350,000</u>	<u>\$ 2,410,000</u>	<u>\$ 8,990,000</u>	<u>\$ 3,370,000</u>	<u>\$ 6,855,000</u>	<u>\$ 27,355,000</u>

Principal payments due the first day of	May	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	May and November
Interest rate	4.00%	2.50% - 4.50%	2.00% - 4.00%	2.00% - 4.00%	2.00% - 4.00%	4.00%
Original issue	<u>\$ 4,380,000</u>	<u>\$ 2,265,000</u>	<u>\$ 4,145,000</u>	<u>\$ 9,300,000</u>	<u>\$ 4,805,000</u>	<u>\$ 7,600,000</u>

See Accompanying Notes to the Financial Statements

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By Gloria Suggitt at 12:27 pm, Nov 02, 2016

Clawson Public Schools

Single Audit Report

June 30, 2016

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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 Directors
Clawson Public Schools
Clawson, Michigan

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, 2016, 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 26, 2016.

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 opinions 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, Michigan
October 26, 2016

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 Directors
Clawson Public Schools
Clawson, Michigan

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, 2016. Clawson Public Schools' major federal programs are identified in the summary of auditors' 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, 2016.

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, teach major fund, and the aggregate remaining fund information of Clawson Public Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Clawson Public Schools' basic financial statements. We issued our report thereon dated October 26, 2016, 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 expenditure 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, Michigan
October 26, 2016

Clawson Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Award Number	Approved Grant Amount	Accrued (Unearned) Revenue at July 1, 2015	Prior Expenditures	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Accrued (Unearned) Revenue at June 30, 2016
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	\$ 44,199	\$ -	\$ -	\$ 44,199	\$ 44,199	\$ -
National School Lunch Program (Bonus)			-	-	-	-	-	-
Total Non-Cash Assistance				<u>-</u>	<u>-</u>	<u>44,199</u>	<u>44,199</u>	<u>-</u>
Cash Assistance								
School Breakfast Program	10.553	151970	31,496	1,565	29,296	2,200	3,765	-
School Breakfast Program	10.553	161970	31,186	-	-	31,186	28,760	2,426
Total School Breakfast Program				<u>1,565</u>	<u>29,296</u>	<u>33,386</u>	<u>32,525</u>	<u>2,426</u>
National School Lunch Program	10.555	151960	232,443	10,731	212,182	20,261	30,992	-
National School Lunch Program	10.555	161960	206,773	-	-	206,773	192,671	14,102
Total National School Lunch Program				<u>10,731</u>	<u>212,182</u>	<u>227,034</u>	<u>223,663</u>	<u>14,102</u>
Total Cash Assistance				<u>12,296</u>	<u>241,478</u>	<u>260,420</u>	<u>256,188</u>	<u>16,528</u>
Total Nutrition Cluster				<u>12,296</u>	<u>241,478</u>	<u>304,619</u>	<u>300,387</u>	<u>16,528</u>
Child Care Food Program	10.558	151920	12,680	900	12,384	296	1,196	-
Child Care Food Program	10.558	161920	15,942	-	-	15,942	14,820	1,122
Total Child Care Food Program				<u>900</u>	<u>12,384</u>	<u>16,238</u>	<u>16,016</u>	<u>1,122</u>
Child Care Food Program	10.558	152010	1,772	64	1,755	17	81	-
Child Care Food Program	10.558	162010	921	-	-	921	849	72
Total Child Care Food Program				<u>64</u>	<u>1,755</u>	<u>938</u>	<u>930</u>	<u>72</u>
Total Total Child Care Food Program				<u>964</u>	<u>14,139</u>	<u>17,176</u>	<u>16,946</u>	<u>1,194</u>
Total U.S. Department of Agricultural				<u>13,260</u>	<u>255,617</u>	<u>321,795</u>	<u>317,333</u>	<u>17,722</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Clawson Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Award Number	Approved Grant Amount	Accrued (Unearned) Revenue at July 1, 2015	Prior Expenditures	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Accrued (Unearned) Revenue at June 30, 2016
U.S. Department of Education								
Special Education Cluster								
Passed through the Oakland Intermediate School District								
IDEA Flowthrough	84.027	140450	\$ 521,695	\$ 33,607	\$ 521,695	\$ -	\$ 33,607	\$ -
IDEA Flowthrough	84.027	150450	513,750	358,365	509,395	4,355	358,365	4,355
IDEA Flowthrough	84.027	160450	509,911	-	-	506,781	303,240	203,541
Total IDEA Flowthrough				<u>391,972</u>	<u>1,031,090</u>	<u>511,136</u>	<u>695,212</u>	<u>207,896</u>
IDEA Preschool Incentive	84.173	150460	15,187	7,480	15,187	-	7,480	-
IDEA Preschool Incentive	84.173	160460	15,813	-	-	15,813	15,813	-
Total IDEA Preschool Incentive				<u>7,480</u>	<u>15,187</u>	<u>15,813</u>	<u>23,293</u>	<u>-</u>
Total Special Education Cluster				<u>399,452</u>	<u>1,046,277</u>	<u>526,949</u>	<u>718,505</u>	<u>207,896</u>
Passed through Michigan Department of Education								
Title I Part A - Improving Basic Programs	84.010	151530	90,487	19,721	88,098	-	19,721	-
Title I Part A - Improving Basic Programs	84.010	161530	91,388	-	-	87,676	43,752	43,924
Total Title I Part A - Improving Basic Programs				<u>19,721</u>	<u>88,098</u>	<u>87,676</u>	<u>63,473</u>	<u>43,924</u>
Passed through the Michigan Department of Education								
Title II, Part A - Teacher/Principal Training & Recruiting	84.367	150520	63,087	15,395	40,264	-	15,395	-
Title II, Part A - Teacher/Principal Training & Recruiting	84.367	160520	58,244	-	-	48,269	16,497	31,772
Total Title II, Part A - Teacher/Principal Training & Recruiting				<u>15,395</u>	<u>40,264</u>	<u>48,269</u>	<u>31,892</u>	<u>31,772</u>
Passed through Royal Oak School District								
Title III - English Language Acquisition	84.365A	140580	16,473	722	1,590	-	722	-
Title III - English Language Acquisition	84.365A	150580	20,584	7,894	12,072	-	7,894	-
Title III - English Language Acquisition	84.365A	160580	20,584	-	-	9,982	5,846	4,136
Total Title III - English Language Acquisition				<u>8,616</u>	<u>13,662</u>	<u>9,982</u>	<u>14,462</u>	<u>4,136</u>
Total U.S. Department of Education				<u>443,184</u>	<u>1,188,301</u>	<u>672,876</u>	<u>828,332</u>	<u>287,728</u>
Total Federal Awards				<u>\$ 456,444</u>	<u>\$ 1,443,918</u>	<u>\$ 994,671</u>	<u>\$ 1,145,665</u>	<u>\$ 305,450</u>

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, 2016

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, 2016. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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.

Note 3 - Reconciliation to the Financial Statements

Federal revenues reported on the financial statements reconcile to the expenditures reported on the SEFA as follows:

Expenses per SEFA		\$ 994,671
Amounts reported in the SEFA that do not meet the District's revenue recognition requirements and are therefore deferred in the fund statements:		
Title III - English Language Acquisition	160580	(4,136)
Amounts deferred in prior year due to not meeting the District's revenue recognition requirements that were subsequently received:		
IDEA Flowthrough	150450	358,365
IDEA Preschool Incentive	150460	7,480
Title I Part A - Improving Basic Programs	151530	19,721
Title II, Part A - Teacher/Principal Training & Recruiting	150520	<u>15,395</u>
 Total revenues reported on the District's fund statements		 <u>\$ 1,391,496</u>

Clawson Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2016

Note 4 - Other Reconciliations

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.

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

Differences from GAR to actual collection of receipts.		<u>Reported on GAR</u>	<u>Reported on SEFA</u>	<u>Difference</u>
School Breakfast Program	161970	\$ 31,186	\$ 28,760	\$ 2,426
National School Lunch Program	161960	206,773	192,671	14,102
Child Care Food Program	161920	15,942	14,820	1,122
Child Care Food Program	162010	921	849	72

These grants were paid by June 30, 2016 per the GAR but not received by the District until after year end.

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.

Note 6 - Adjustments on the SEFA

There were no adjustments for the current year.

Clawson Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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 | _____ | X | | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | Yes | _____ | X | | None reported |
| Noncompliance material to financial statements noted? | _____ | Yes | _____ | X | | No |

Federal Awards

Internal control over major programs:

- | | | | | | | |
|---|-------|-----|-------|---|--|---------------|
| • Material weakness(es) identified? | _____ | Yes | _____ | X | | No |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ | Yes | _____ | X | | None reported |

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?

	_____	Yes	_____	X		No
--	-------	-----	-------	---	--	----

Clawson Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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:

_____ Yes X No

Section II - Financial Statement Findings

No matters were noted.

Section III - Federal Award Findings and Questioned Costs

No matters were noted.

Clawson Public Schools
Summary Schedule of Prior Audit Findings
June 30, 2016

Section IV – Prior Audit Findings

Finding: 2015-001 Material Weakness, Material Noncompliance – Timeliness of Reporting

Criteria: Management is responsible for timely and accurate reporting of financial data.

Condition: As part of the financial oversight for the District, management must prepare periodic reconciliations to ensure that monthly reporting is accurate. During the year periodic reconciliations were not completed for several key areas.

Effect: The District failed to meet the filing deadline for the Michigan Department of Education of November 1, 2015. Grant requests for grant reimbursements were outside of the Districts revenue recognition period which resulted in over \$400,000 of revenue deferred to the 2015/2016 fiscal year. Additionally, the November state aid payment was withheld for failure to file timely.

Cause: During the year, the District's Finance Department was overwhelmed by several special projects and changes. There was a transition of the Director of Business Services and other staff. The accounting staff, custodial, maintenance and grounds were contracted to a third party during the year which required the attention of the Director. The District also dealt with bond projects and related change orders and restoration projects related to flooding which required the Finance Department to relocate to a new location for several months before returning to their original location.

Recommendation: Reconciliation and review of the financial statements should be done on a monthly basis to ensure that errors and omission are corrected before being provided to the Board. Additionally, frequent reconciliation of the financials should result in less time at year end for final financial preparation and provide the ability to request grant reimbursements timely.

Status: Reconciliations and grant reimbursements were completed timely and accurately for the 2015-16 fiscal year.



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October 26, 2016

Management and the Board of Education
Clawson Public Schools

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Clawson Public Schools as of and for the year ended June 30, 2016, and have issued our report dated October 26, 2016. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II. Matters for Management's Consideration

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

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

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

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 October 26, 2016. 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 Government Accounting Standards Statement (GASB) No. 72, 76, 79, and 82, *Fair Value Measurement and Application*, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, *Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. GASB No. 72, 76, and 79 are effective July 1, 2015, and GASB 82 is effective for years beginning July 1, 2016, however, early implementation is encouraged. Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. Statement 76 identifies the hierarchy of generally accepted accounting principles. Statement 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Statement 82 amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. 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 statements 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 School District's 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.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

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 and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

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.

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

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

Regulatory and Other Updates

Cybersecurity and data backup best practices

The School District's data is critically important. There are millions of ways data can be compromised. It is vitally important that all employees have proper knowledge on what is safe to click on and what is not. It is equally important that a proper data backup solution is in place in the event a School District's information is targeted by malware or a phishing attack. A School District's vital information is always a moment away from being compromised. Encouraging and educating employees to pay attention to what they click on and what they do is the first step in keeping information safe.

Having a proper data backup solution in place can mean the difference between a School District surviving a cyber-attack or losing valuable data and time. Every School District should know the answer to two questions when looking at data backup solutions.

1. How long can my District survive a network outage?
Many School Districts assume that they are properly backing up their network but how often are those backups tested? Internally managed backups are more susceptible to lack of testing. Management often believes they have successful backups but in the moment of a disaster, they find out that their last successful backup was months ago. Test backups often to make sure files can be recovered when needed.
2. Does our District understand the difference between a backup and disaster recovery?
Management often assumes that simply backing up files is “good enough”. Backing up files is something all School Districts should do. However, it’s important to remember that restoring files and emails is one thing, but recovering and restoring all company data in the event of a disaster is another.

Audit and FID Submission Deadline

Beginning in the previous year, the deadline to submit the Financial Information Database (FID) and the school district financial audits will be November 1st. This will continue to be the deadline for future fiscal years.

Uniform Grant Guidance (Super Circular)

In December 2013, the Federal Office of Management and Budget (OMB) issued final guidance on administrative requirements. The Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102 and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up. Districts implemented the new administrative requirements and Cost Principles for all new federal grants awarded after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. EDGAR is the source for guidance that school districts will follow. Additional information and resources are available at the following websites:

- OMB http://www.whitehouse.gov/omb/grants_docs
- Council on Federal Assistance Reform (COFAR) <https://cfo.gov/cofar/>
- US Department of Education <http://1.usa.gov/1rzFswz>
- EDGAR <http://1.usa.gov/1pOUq2p>
- MDE http://www.michigan.gov/mde/0,4615,7-140-5236_76204---,00.html

Fiscal Year (FY) 2017 School Aid

- The Omnibus Education Bill (Senate Bill 801) for FY 2017 has been passed by the legislature. It has been presented to the Governor for signature. There is always the possibility of vetoes. Following are some highlights of the bill:
- The per pupil Foundation Grants for FY 2017 will increase by a range of \$60 to \$120 using the “2X formula.” The increase will be added to the FY 2016 foundation grant resulting in the lowest foundation for FY 2017 being \$7,511 and the maximum state guaranteed foundation being \$8,229.
- A new Section 20m would provide hold harmless districts with the difference in per pupil funding between \$60 and the increase in their foundation which is limited to the rate of inflation (.1% in this case).
- 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 \$389,685,500.
- The per pupil funding under Sections 20f(2) and 20f(4) will be equal to the per pupil funding under those Sections in 2015-16.
- ISD General Operation funding under Section 81 will remain at \$67.1 million.
- An additional \$90 million is appropriated in Section 147c to reflect the actuarially estimated costs of the required state share of the MPSERS Unfunded Accrued Liability (UAL) and maintain the UAL cap at 20.96%.

Other School Aid “Boilerplate” Changes

- Section 18 has been amended to require that the FID data and audited financial statements must be consistent or school aid must be withheld.
- Section 51a(15) has been amended to state that there will be a 10% state school aid penalty for a district or ISD that does not comply with the language in Section 51a(14) that requires the pupil’s resident district and/or ISD to provide special education services and cover special education added costs for pupils educated in a Public School Academy who reside outside of the ISD in which the academy is located.
- The Section 101 Instructional Day requirement will go from a minimum of 175 days to a minimum of 180 days beginning with the 2016-17 school year.

Early Warning

Pursuant to Public Act 109 of 2015, each school district and public school academy that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2013-2014 or 2014-2015 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 UB&AA 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 UB&AA, including but not limited to general fund deficits, should be reported as financial statement findings in the audit report. UB&AA 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 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.

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.

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.

The School District adopted a new accounting standard, and our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the School District adopted GASB No. 72, 76, 79, and 82, *Fair Value Measurement and Application, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, Certain External Investment Pools and Pool Participants, and Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. 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: 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*; Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant 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 school district's proportionate share of net pension liability, schedule of school district's 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.

Appendix II Matters for Management's Consideration

In planning and performing our audit of the financial statements of Clawson Public Schools as of and for the year ended June 30, 2016, we considered Clawson Public Schools' internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of matters for management's consideration that are opportunities for strengthening internal controls and improving operating efficiency. This letter does not affect our report dated October 26, 2016, on the financial statements of Clawson Public Schools. Our comments and recommendations regarding those matters are:

Timeliness of reporting and reconciliations

Although there was significant improvement in the timeliness of reporting from prior year, there were still a few areas that need to be improved upon. During the current year we noted that there was delay in getting the audit trial balance due to certain accounts not being reconciled timely. In completing a few of our internal control walkthroughs we noted, throughout the year, that the bank reconciliations were not being completed in a timely manner. However, we did notice a significant improvement in the timeliness and "clean-up" of the bank reconciliation process with the hiring of a consultant. After the trial balance there were delays on certain journal entries to complete the audit (a portion of the payroll accrual, capital lease entry, and GSRP entries), due to the delay of the business department preparing proper reconciliations. We recommend the business department continue to improve the reconciliation process going forward.

Affordable Care Act

The Affordable Care Act (ACA) requires that management verify affordable minimum coverage be offered to at least 95% of all full time employees (FTE). During the current year all of the ACA forms were filed, however, the District did not offer coverage to at least 95% of all full time employees. As of July 1st the District met the 95% coverage.

Early Warning

The School District is currently under early warning monitoring and is required to submit budget assumptions to the Center for Educational Performance and Information. For the 2016/2017 fiscal year, the District has a projected and ending fund balance of less than 5%. We recommend that the District take the necessary measures and budgetary cuts to ensure the fund balance remains above 5%.

Long Outstanding Checks

Checks that have been outstanding for more than a year should either be appropriately reversed or handled in accordance with state escheat laws. During our review of cash we noticed there were a significant amount of outstanding checks. We recommend the District contact each vendor to verify the money is still owed and/or turn the checks over to the state.