

CLINTON COMMUNITY SCHOOLS
Report on Financial Statements
(With required supplementary and
other supplemental information)

Year Ended June 30, 2018

**Clinton Community Schools
Financial Report
For the Fiscal Year Ended
June 30, 2018**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Clinton Community Schools
Clinton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clinton Community Schools (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Schools 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Emphasis of Matter

As described in Note 1 to the basic financial statements, effective July 1, 2017, the School District adopted the provision of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The School District's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

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 Clinton Community Schools, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison, the schedules of the School District's share of the net pension liability and pension contributions, and the schedules of the School District's share of the net postemployment benefit other than pensions (OPEB) liability and OPEB contributions, and the notes to required supplemental information 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 Clinton Community Schools basic financial statements. The other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are 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 10, 2018, on our consideration of Clinton Community Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Clinton Community Schools internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clinton Community Schools' internal control over financial reporting and compliance.

Darnell & Meyering, P.C.

DARNELL & MEYERING, P.C.

Taylor, Michigan
October 10, 2018

**CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Our discussion and analysis of Clinton Community School District's (the School District) financial performance provides an overview of the School District's financial activities in the fiscal year ended June 30, 2018. The School District implemented GASB requirements in the June 30, 2018 audit as required by the Governmental Accounting Standards Board (GASB). Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The management's discussion and analysis is provided at the beginning of the audit and organized so that the reader can understand the current position of the School District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues by program for the General Fund, Debt Service Fund, Capital Project Fund and Special Revenue Fund.

USING THIS ANNUAL REPORT

The School District's Annual Report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The *District Wide Financial Statements*, which include the **Statement of Net Position** and the **Statement of Activities** provide information about the district as a whole and present a longer-term view of the School District's finances. 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. The *Fund Financial Statements* provide detailed information about the School District's most significant funds not the School District as a whole.

Reporting the School District as a whole

These two statements report the School District's Net Position-the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources as reported in the **Statement of Net Position** – as one way to measure the School District's financial health or financial position. The **Statement of Net Position**, for the first time, combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations, regardless if they are currently available or not. In comparison to "other assets", capital assets are those assets that are tangible, valued over a specified amount, and usually have a long life. They are depreciated over a useful life. More detail on capital assets and their recorded useful lives is found in the footnote section of the audit. Long-term obligations (liabilities) are those that are longer than one year. Some liabilities are classified as "short-term" for the portion due in a year, and "long-term" for the portion due in the future years (such as leases payable, compensated absences, and debt obligations). "Other liabilities" are considered to be obligations due within a year. Over time, increases or decreases in the School District's Net Position – as reported in the **Statement of Activities** – is one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating results.

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However, the School District's goal is to provide services to our students, not to generate a profit as commercial entities do. There are other factors to consider such as quality of education and school safety to assess the overall health of the School District.

The **Statement of Net Position** and **Statement of Activities** report the governmental activities and business-type activities. These statements for the School District will include only governmental activities, which encompass all of the School District's services including instruction, supporting services, athletics, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue) and State and Federal grants finance most of these activities.

Reporting the School District's most significant funds

The School District's fund financial statements provide detailed information about the School District's most significant funds not the School District as a whole. The fund statements are similar to financial presentations in the past, but the new focus is on the School District's major funds rather than fund types. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Some funds are required 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 **Food Service**) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as **Debt and Capital Projects**). The School District's major fund is the **General Fund**.

Most of the School District's services are reported in governmental funds. Governmental fund reporting focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. They are reported using an accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between *governmental activities* (reported in the **Statement of Net Position** and the **Statement of Activities**) and *governmental funds* in reconciliation on pages 17 and 19.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, Capital Projects Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the School District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Debt Fund is used to record the funding and payment of principal and interest on Bonded Debt. The Special Revenue Fund is used to record the funding and expenditures of monies specified for a specific purpose (Food Service). The Fiduciary Fund accounts for assets held by the School District in a trustee capacity or as an agent for various student groups and related activities.

**CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
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The School District as a Whole

The School District's net position was (\$9,597,581) at the end of June 30, 2018 and (\$10,101,371) as of June 30, 2017 as restated, representing a net increase of \$503,790. Of the total amount \$(16,114,764) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those funds for day-to-day operations. Our analysis below focuses on the **Net Position** (Table 1) and **Change in Net Position** (Table 2) of the School District's governmental activities.

As required by the Government Accounting Standards Board (GASB), the School District adopted GASB Statements No. 75. This standard required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Post-employment Benefits Other Than Pension (OPEB) Plan obligations within the School District's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by \$10,101,371 and to include the obligation, and related deferred outflows of resources, in the June 30, 2018 financial statements. All governments participating in the OPEB plan were required to adopt this new standard.

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Net Position (Table 1)		
	<u>2018</u>	<u>2017</u>
Assets:		
Current assets	\$ 4,617,002	\$ 4,703,690
Noncurrent assets	<u>8,748,503</u>	<u>9,180,114</u>
Total assets	13,365,505	13,883,804
Deferred Outflows of Resources		
Deferred pension amounts	3,352,229	2,198,940
Deferred loss on bond refunding	106,371	127,646
Deferred OPEB amounts	<u>290,836</u>	<u>392,294</u>
Total deferred outflow of resources	<u>3,749,436</u>	<u>2,718,880</u>
Total assets and deferred outflows of resources	<u>17,114,941</u>	<u>16,602,684</u>
Liabilities:		
Current liabilities	1,959,281	2,771,717
Noncurrent liabilities	<u>22,623,099</u>	<u>22,926,074</u>
Total liabilities	<u>24,582,380</u>	<u>25,697,791</u>
Deferred Inflows of Resources		
Deferred pension amounts	1,955,318	1,006,264
Deferred OPEB amounts	<u>174,824</u>	-
Total liabilities and deferred inflows of resources	<u>2,130,142</u>	<u>1,006,264</u>
Total liabilities and deferred inflows of resources	<u>26,712,522</u>	<u>26,704,055</u>
Net position:		
Net investment in capital assets	6,227,878	6,172,981
Restricted for School Lunch program	59,835	47,561
Restricted for Debt Service	53,064	60,975
Restricted for Capital Project Fund	176,406	162,999
Unrestricted	<u>(16,114,764)</u>	<u>(16,545,887)</u>
Total net position (deficit)	<u>\$ (9,597,581)</u>	<u>\$ (10,101,371)</u>

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The Statement of Activities presented later in the government-wide financial statement, provides greater detail on the School District's annual activity. The Statement of Activities (Table 2) shown below details the cost of the School District's governmental activities and how those activities were financed.

Table 2		
Changes in Clinton Community School's Net Position		
	2018	2017
Revenues:		
Program revenues:		
Operating and grants contribution	\$ 2,018,398	\$ 1,647,845
Charges for services	404,629	414,443
General revenues:		
Property taxes	1,713,623	1,700,915
State aid - unrestricted	7,363,181	6,832,689
Investment income	30,487	21,492
Other	22,891	(12,806)
Special revenues:		
Loss on disposal of assets	(5,441)	-
Total revenues	11,547,768	10,604,578
Expenses:		
Instruction	6,478,088	6,151,401
Support services	3,076,420	2,929,886
Community services	29,029	-
Food services	397,261	370,495
Athletics	316,461	345,538
Interest expense	74,728	79,485
Other	1,500	1,554
Unallocated depreciation	670,491	641,944
Total expenses	11,043,978	10,520,303
Change in net position	\$ 503,790	\$ 84,275

Financial Analysis of the School District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well.

**CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
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GENERAL FUND

Factors affecting Revenue

State Aid funding -The State of Michigan provides a \$7,631 per pupil foundation allowance that provides a substantial portion of our district's revenue, 69 percent. In addition, we also receive various grants from the state. This means that the financial stability of the School District rests primarily with the economic health of the State of Michigan. State aid payments are made with the first payment of the school year beginning in October, and the last payment being made in August. Therefore, at the end of the School District's fiscal year end, there is adjustment made that includes 2 months of state aid payments into revenue that has not yet been made.

Schools of Choice – The School District has an agreement with the other public schools in Lenawee County to implement Lenawee County Schools of Choice (Open Enrollment) program. During the 2017-2018 school year, of the 1,096 pupils enrolled, 332 (30%) of our student population were schools of choice pupils.

Factors affecting Expenses

- *Salaries and Benefits* - A significant portion of the School District's expenses are related to compensation, 84% in 2017-18.
- *Instructional purchases* - Another part of each year's budgetary expenditures includes textbooks and supplemental learning materials, supplies, and purchased services.
- *Operation and Maintenance* - Each year's budgetary expenditures also include the general operation and maintenance of our school buildings.

General Fund Budgetary Highlights

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 School District amends its budget during the school year. In fact, all Michigan school districts must complete a second full budget after the state's official student membership count date (the first Wednesday in October), because only then are they knowledgeable of their Foundation Grant's income level. These revisions are made in order to deal with the unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

**CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
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Original Budget versus Final Budget

- *Revenues*-Original estimated budgets for revenues were \$9,673,217 versus the final budget of \$10,710,122. Major components of revenue and their original budget versus final budget are discussed below.
 - The increase in enrollment by 75 students.
 - The federal sources increase due to the carryover from prior year was added to the current year's budget.
 - Increased in local sources was from increase in interest, preschool enrollment increased, delinquent taxes and parent Chromebook insurance.
 - Increased in Outreach and GSRP program from intermediate school district.
- *Expenditures* – The original budget for expenditures was \$10,107,237 versus the final budget of \$10,096,723.

Final Budget versus Actual Figures

- The majority (about 76%) of *Local Revenues* are property taxes received from seven townships including Clinton, Franklin, Macon, Tecumseh, Bridgewater, Manchester and Saline.
- *State Revenues* were budgeted at \$8,725,164 versus actual of \$8,710,182. This was a decrease of \$14,982.
- *Federal Revenues* were budgeted at \$144,461 versus actual of \$142,144. This was a decrease of \$2,317.
- *Overall revenues* were under budget by \$26,888 from the final budget amounts. This is an insignificant amount compared to the total revenue budget of \$10,710,122.
- *Expenses*- Final estimated budgets for expenses were \$10,096,723 versus an actual final amount of \$9,924,006. The overall variation from final budget to actual was \$172,717 favorable variance.

SPECIAL REVENUE FUND

School Lunch Fund - The School Lunch Fund receives its revenues from the sale of goods, State reimbursement and federal grants.

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CAPITAL PROJECT FUND

Sinking Fund Millage – Revenues are generated by taxes going toward building improvements.

These funds are restricted for improvements to the School District. At the end of the fiscal year 2017-18 there was a fund balance of \$176,406.

DEBT SERVICE FUND

This fund is directly funded through taxes. For fiscal year 2017-18 the collection of property taxes for the retirement of principal and interest relating to the School District was \$506,488. Principal and interest requirements for the 2017-18 retirement was \$519,362.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets-At June 30, 2018, the School District had \$8,748,503 invested in capital assets, net of accumulated depreciation. The School District had bonded debt outstanding of \$2,365,000. In addition, in fiscal year 2017 the School District entered into an installment purchase agreement to purchase 3 new buses and has an outstanding debt of \$156,660. As these items also relate to capital assets, the amount of *Net investment in capital assets* is \$6,227,878. Assets, net of accumulated depreciation will probably continue to decrease because the School District at this time has no intention of purchasing many capital assets. Those already on the books will continue to depreciate.

The District's capital assets are as follows:

Table 3 Clinton Community Capital Assets				
	Cost	Accumulated Depreciation	2018 Net Book Value	2017 Net Book Value
Land	\$ 158,683	\$ -	\$ 158,683	\$ 158,683
Construction in progress	-	-	-	483,265
Land Improvements	943,277	501,404	441,873	484,863
Building and Improvements	13,807,417	6,727,943	7,079,474	6,649,802
Equipment & Furniture	4,073,367	3,271,524	801,843	1,068,990
Vehicles	975,531	708,901	266,630	334,511
Total	<u>\$ 19,958,275</u>	<u>\$ 11,209,772</u>	<u>\$ 8,748,503</u>	<u>\$ 9,180,114</u>

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Long-term debt Activity

At year-end, the School District had outstanding long-term debt obligations in the amount of \$2,760,642 (more detailed information about the School District’s long-term liabilities is presented in Note 6 of the financial statements.)

Table 4		
Clinton Community School's Outstanding Long-Term Debt		
	2018	2017
2015 Refunding Bond	\$ 2,365,000	\$ 2,815,000
Unamortized bond premium	105,336	126,403
Installment purchase agreement	156,660	193,376
Compensated absences	133,646	147,088
Total	\$ 2,760,642	\$ 3,281,867

The School District’s long term debt decreased by \$521,225 the key factors in this decrease was the effect of the principal payments on the 2015 general obligation refunding bond and the installment purchase agreement.

Economic Factors and Next Year’s Budget

For the 2018/2019 school year the non-homestead millage remains at 18.00 mills and expires June 2019. Clinton Community Schools is levying the full amount on these properties which is crucial in order for the district to receive the full Foundation Allowance per pupil. The district also passed a Sinking fund millage to start in 2017 for the next 5 years for 2 mills to be used for technology & construction and repair of buildings. Debt millage continues to decrease to 2.15 mills for 2018.

One of the most important factors affecting the budget is student count. The other is the state foundation revenue determined by multiplying the blended student count by the foundation allowance per pupil. The 2018-2019 budget was adopted in June 2018 based on an estimated number of student who will be enrolled in September 2018. In an effort to sustain student enrollment and maximize funding from the state, Clinton Community Schools continues to provide opportunities through Schools of Choice.

Under state law, the District cannot assess additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State’s ability to fund local school operations and on its total student enrollment. Since over 80% of the total General Fund revenues are from the foundation allowance, school districts are in a position to compete for its share of a dwindling enrollment base.

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Prudent fiscal responsibility and cost containment remain critical to the School District's ability to effectively operate in this difficult economic climate. Over the past couple of years, the School District has made a series of budget adjustments to protect its financial future. The School District continues to explore avenues that allow it to reduce costs by restructuring its delivery of services and to remain committed to excellence in serving our students and community.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, please contact:

Business Office Clinton Community Schools, 341 East Michigan, Clinton, MI 49236.

Clinton Community Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Current Assets:	
Cash and equivalents	\$ 529,708
Investments	2,411,110
Receivables:	
Accounts receivable	1,063
Due from other governmental units	1,661,025
Prepaid expenditures	10,535
Inventory	3,561
Total Current Assets	4,617,002
Noncurrent Assets:	
Capital assets	19,958,275
Less accumulated depreciation	(11,209,772)
Total Noncurrent Assets	8,748,503
Total Assets	13,365,505
Deferred outflows of resources	
Deferred pension amounts	3,352,229
Deferred OPEB amounts	290,836
Deferred loss on bond refunding	106,371
Total Deferred Outflows of Resources	3,749,436
Total Assets and Deferred Outflows of Resources	17,114,941
Liabilities	
Current Liabilities:	
Accounts payable	253,293
Accrued expenditures	424,006
Accrued interest	11,305
Accrued salary	580,066
State Aid Note Payable	70,074
Unearned revenue	106,800
Current portion of long term obligations	513,737
Total Current Liabilities	1,959,281
Noncurrent Liabilities:	
Noncurrent portion of long term obligations	2,113,259
Noncurrent portion of compensated absences	133,646
Net Pension Liability	15,205,000
Net OPEB Liability	5,171,194
Total Noncurrent Liabilities	22,623,099
Total Liabilities	24,582,380
Deferred inflows of resources	
Deferred pension amounts	1,955,318
Deferred OPEB amounts	174,824
Total Deferred Inflows of Resources	2,130,142
Total liabilities and deferred inflows of resources	26,712,522
Net Position (Deficit):	
Net investment in capital assets	6,227,878
Restricted for school lunch program	59,835
Restricted for debt service	53,064
Restricted for capital project fund	176,406
Unrestricted	(16,114,764)
Total Net Position (Deficit)	\$ (9,597,581)

The notes to the financial statements are an integral part of this statement.

**Clinton Community Schools
Statement of Activities
Year Ended June 30, 2018**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Net (expense) Revenue and Changes in Net Position</u>
Governmental activities:				
Instruction	\$ 6,478,088	\$ 171,679	\$ 1,490,473	\$ (4,815,936)
Support services	3,076,420	4,955	275,337	(2,796,128)
Community services	29,029	-	19,058	(9,971)
Food services	397,261	189,290	220,245	12,274
Athletics	316,461	38,705	13,285	(264,471)
Interest expense	74,728	-	-	(74,728)
Other	1,500	-	-	(1,500)
Unallocated depreciation	670,491	-	-	(670,491)
Total governmental activities	<u>\$ 11,043,978</u>	<u>\$ 404,629</u>	<u>\$ 2,018,398</u>	(8,620,951)
General revenues:				
Property taxes, levied for general purposes				973,393
Property taxes, levied for debt service				506,488
Property taxes, levied for capital project fund				233,742
Investment earnings				30,487
State of Michigan school aid unrestricted				7,363,181
Miscellaneous				22,891
Special items:				
Loss on disposal of assets				(5,441)
Total general revenues				<u>9,124,741</u>
Change in net position				503,790
Net position, beginning of year, previously reported				(5,039,201)
Prior period adjustment (see Note 1)				(5,062,170)
Net position, beginning of year, as restated				<u>(10,101,371)</u>
Net position, end of year (deficit)				<u><u>\$ (9,597,581)</u></u>

The notes to the financial statements are an integral part of this statement.

Clinton Community Schools
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Assets			
Assets:			
Cash and equivalents	\$ 185,903	\$ 343,805	\$ 529,708
Investments	2,411,110	-	2,411,110
Receivables			
Accounts	134	929	1,063
Other governmental units	1,661,025	-	1,661,025
Due from other fund	-	4,130	4,130
Inventory	-	3,561	3,561
Prepaid expenditures	10,535	-	10,535
Total Assets	\$ 4,268,707	\$ 352,425	\$ 4,621,132
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 207,178	\$ 46,115	\$ 253,293
Accrued expenditures	424,006	-	424,006
Accrued salary	580,066	-	580,066
Due to other funds	4,130	-	4,130
Unearned revenue	101,100	5,700	106,800
State aid loan payable	70,074	-	70,074
Total Liabilities	1,386,554	51,815	1,438,369
Deferred Inflows of Resources:			
Unavailable revenue	51,427	-	51,427
Total Deferred Inflows of Resources	51,427	-	51,427
Fund Balances:			
Nonspendable prepaid expenditures	10,535	-	10,535
Nonspendable inventory	-	3,561	3,561
Restricted for:			
School lunch program	-	56,274	56,274
Debt service	-	64,369	64,369
Capital outlay	-	176,406	176,406
Unassigned reported in general fund	2,820,191	-	2,820,191
Total Fund Balances	2,830,726	300,610	3,131,336
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,268,707	\$ 352,425	\$ 4,621,132

The notes to the financial statements are an integral part of this statement.

Clinton Community Schools
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Total governmental fund balances		\$ 3,131,336
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of capital assets is:	\$ 19,958,275	
Accumulated depreciation is:	<u>(11,209,772)</u>	8,748,503
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds payable		(2,365,000)
Unamortized bond premium		(105,336)
Deferred outflow of resources related to bond refunding		106,371
Installment purchase agreement		(156,660)
Compensated absences		(133,646)
Interest payable on long term debt		(11,305)
Net pension liability		(15,205,000)
Net OPEB liability		(5,171,194)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflow of resources related to pension (see Note 7)		3,352,229
Deferred inflow of resources related to pension (see Note 7)		(1,955,318)
Deferred outflow of resources related to OPEB (see Note 8)		290,836
Deferred inflow of resources related to OPEB (see Note 8)		(174,824)
Receivables collected after 60 days are considered unavailable in the governmental funds.		<u>51,427</u>
Net position of governmental activities (deficit)		<u><u>\$ (9,597,581)</u></u>

The notes to the financial statements are an integral part of this statement.

Clinton Community Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2018

	General Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Revenues:			
Local sources			
Property taxes	\$ 973,393	\$ 740,230	\$ 1,713,623
Investment earnings	29,902	585	30,487
Food service	-	189,290	189,290
Athletics	38,705	-	38,705
Charges for services	171,679	-	171,679
Other	72,538	-	72,538
Total local sources	<u>1,286,217</u>	<u>930,105</u>	<u>2,216,322</u>
Intermediate sources	544,691	-	544,691
State sources	8,710,182	12,422	8,722,604
Federal sources	<u>142,144</u>	<u>207,823</u>	<u>349,967</u>
Total revenues	<u>10,683,234</u>	<u>1,150,350</u>	<u>11,833,584</u>
Expenditures:			
Current:			
Instruction	6,522,441	-	6,522,441
Support	3,062,819	-	3,062,819
Community service	29,029	-	29,029
Food service activities	-	397,261	397,261
Athletic activities	309,717	-	309,717
Capital Outlay	-	220,335	220,335
Debt service:			
Interest & fiscal charges	-	1,500	1,500
Total expenditures	<u>9,924,006</u>	<u>619,096</u>	<u>10,543,102</u>
Excess (deficiency) of revenues over expenditures:	<u>759,228</u>	<u>531,254</u>	<u>1,290,482</u>
Other financing sources (uses):			
Redemption of principal on 2015 bond	-	(450,000)	(450,000)
Interest payment on 2015 bond	-	(69,362)	(69,362)
Redemption of principal on installment purchase agreement	(36,716)	-	(36,716)
Interest on installment purchase agreement	(5,027)	-	(5,027)
Proceeds from disposal of assets	500	-	500
Total other financing sources (uses):	<u>(41,243)</u>	<u>(519,362)</u>	<u>(560,605)</u>
Net change in fund balance	717,985	11,892	729,877
Fund balances:			
Beginning of year	2,112,741	288,718	2,401,459
End of year	<u>\$ 2,830,726</u>	<u>\$ 300,610</u>	<u>\$ 3,131,336</u>

The notes to financial statements are an integral part of this statement.

Clinton Community Schools
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of Governmental Fund
To the Statement of Activities
Year Ended June 30, 2018

Net change in fund balance total governmental fund increase \$ 729,877

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Capital outlay	244,821
Depreciation expense	(670,491)

Governmental funds report the proceeds from the disposition of assets as an other financing source.

In the statement of activities, a gain or loss is recognized based on the net book value of the asset.

Loss on disposition of asset	(5,441)
Proceeds from disposition of asset	(500)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).

Current year's amortization of bond premium	21,067
Current year's amortization of loss related to bond refunding	(21,275)
Principal repayment on long-term obligations from bonds payable	450,000
Principal repayment on long-term obligations from bus loan payable	36,716

Accrued interest on long-term debt is recorded in the statement of activities when incurred, it is not recorded in the governmental funds until it is paid.

Accrued interest payable beginning of the year	11,174
Accrued interest payable end of the year	(11,305)

Compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditures when financial resources are used in the governmental funds:

Compensated payable beginning of the year	147,088
Compensated payable end of the year	(133,646)

Revenue in support of pension contributions made subsequent to measurement date	(721,219)
---	-----------

Change in deferred outflows of resources related to pension	1,153,289
---	-----------

Change in deferred inflows of resources related to pension	(227,835)
--	-----------

Change in net proportionate share of net pension liability	(503,513)
--	-----------

Change in deferred outflows of resources related to OPEB	(101,458)
--	-----------

Change in deferred inflows of resources related to OPEB	(174,824)
---	-----------

Change in net proportionate share of net OPEB liability	283,270
---	---------

Governmental funds report revenues when they are collected within 60 days after the year end.

Revenues are recorded in the statement of activities when earned.	(2,005)
---	---------

Change in net position of governmental activities increase **\$ 503,790**

Clinton Community Schools
Statement of Fiduciary Net Position
June 30, 2018

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 110,754
	<u>\$ 110,754</u>
Liabilities:	
Due to student groups	107,384
Due to others	3,370
	<u>\$ 110,754</u>

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Clinton Community Schools (the “School District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District’s accounting policies are described below.

A. Reporting Entity

The School District is governed by the Board of Education (the “Board”) of Clinton Community Schools, which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the School District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School District. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the School District’s activities are classified as governmental activities.

Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities column of the statement of net position. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net position as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, property taxes, certain revenue from the intermediate district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The School District first utilizes restricted resources to finance qualifying activities.

The government-wide 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, certain intergovernmental revenues, and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating 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, intermediate School District sources, interest income, and other revenues).

The School District does not allocate indirect costs.

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

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the School District’s expendable financial resources and the related current liabilities are accounted for through governmental funds. Effective July 1, 2010, the School District has implemented their Fund Balance Policy in Accordance with GASB Statement No. 54 as follows:

Purpose - The following policy has been adopted by the Board of Education in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the School District and jeopardize the continuation of necessary public services. This policy will ensure that the School District maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs,
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenues shortfalls and,
- d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the School District’s fund balance and reserve policies.

Fund type definitions - The following definitions will be used in reporting activity in governmental funds across the School District. The School District may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

- General fund is used to account for all financial resources not accounted for and reported in another fund.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

- Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
- Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.
- Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
- Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's purposes.

Fund balance reporting in governmental funds - Fund balance will be reported in governmental funds under the following categories:

Nonspendable fund balance

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The School District will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the government).
- The School District will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).
- The School District will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained in-tact.
- The School District will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Restricted fund balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers; or through enabling legislation.

Committed fund balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the School District’s highest level of decision-making authority (i.e., the Board of Education).

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Board of Education. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Assigned fund balance

Definition – includes amounts intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Authority to Assign – The Board of Education delegates to the Superintendent or his/her/their designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance

Definition – includes the residual classification for the School District’s general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Operational Guideline – The following guidelines address in the classification and use of fund balance in governmental funds:

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the School District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the School District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The School District reports the following major governmental fund:

The General Fund

Other Non-major Funds

The Special Revenue Fund

The Debt Service Funds and

The Capital Project Fund

Fiduciary Funds account for assets held by the School District in a trustee capacity or as an agent on behalf of others. Trust Funds account for assets held by the School District under the terms of a formal trust agreement. Fiduciary Funds are not included in the government-wide statements.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the School District holds for others in an agency capacity (primarily student activities).

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as deferred inflow of resources. 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 well as expenditures related to compensated absences, pensions and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan.

The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the School Districts. For the year ended June 30, 2018, the foundation allowance was based on pupil membership counts taken in February and October of 2017.

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation
(Continued)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2017 to August 2018. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year is recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The School District reports its investments in accordance with GASB 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, GASB 40 *Deposit and Investment Risk Disclosures* and GASB 72 *Fair Value Measurements*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

The School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. At June 30, 2018, the School District had \$2,054,476 and \$275,325 in external investment pools and money market deposit account, respectively.

2. Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2018, the School District levied the following amounts per \$1,000 of assessed valuation.

Fund	Mills
General Fund -Non Personal Residence and commercial property	18.0
1997 Debt - total taxable value	2.15
Building & Site - total taxable value	0.9912

3. Inventories and Prepaid Expenditures

Inventories are valued at cost (first-in, first-out). Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed or used rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and equipment	5 – 20 years
Transportation equipment	3 – 7 years

The School District’s capitalization policy is to capitalize individual amounts exceeding \$5,000.

5. Deferred Outflows/Inflows

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2018, the School District’s statement of net position had deferred outflows of resources related to deferred pension plan expenses, deferred post-employment benefits other than pension expenses (OPEB), and deferred loss on bond refunding totaling \$3,352,229, \$290,836 and \$106,371, respectively.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. At June 30, 2018, the School District’s statement of net position had deferred inflows of resources related to its pension plan, revenue in support of pension payments made subsequent to the measurement date and deferred inflows of resources related to its OPEB plan totaling \$1,234,099, \$721,219 and \$174,824, respectively. Furthermore, at June 30, 2018, the School District’s balance sheet had deferred inflows of resources related to unavailable revenue totaling \$51,427.

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

6. Compensated absences

The liability for compensated absences reported in the government wide statement consists of earned and unused sick days. A liability for this amount is reported in the governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Long term obligations

In the government-wide financial statements, long-term debt obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as deferred charges on refunding, are deferred and amortized over the life of the debt using the straight-line method over the term of related debt. The difference between the reacquisition price and the net carrying amount of the old debt are reported as a deferred outflow of resources or deferred inflow of resources. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost is reported as debt expenditures at the time they are incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS), and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contribution as contributions are due,

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

9. Fair Value Measurements

The School District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Academy's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School Districts investment from the money market deposit account is valued as Level 2 inputs. However, the School District's investment from Michigan CLASS that is classified as external investment pool and measured at fair value is not required to be categorized within the fair value hierarchy for purposes of paragraph 81a(2) of GASB Statement 72.

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

10. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

11. Postemployment Benefits Other Than Pensions

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

12. Adoption of New Accounting Standards

As of June 30, 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Statement No. 75 requires governments providing postemployment benefits to recognize their unfunded OPEB benefit obligation as a liability for the first time. Statement No. 75 requires a government to recognize a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information. In accordance with this new pronouncement, the School District has reported a net OPEB liability of \$5,454,464 and a beginning deferred outflow of resources for OPEB contributions of \$392,294 made subsequent to the September 30, 2016 measurement date, as the effects of these changes in accounting principles to unrestricted net position (deficit) as of July 1, 2017. The effects of these changes are summarized below.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

Net position at June 30, 2017 - As previously reported	\$ (5,039,201)
Net OPEB liabilities	(5,454,464)
Deferred outflows of resources for OPEB contributions	<u>392,294</u>
 Net position (deficit) at June 30, 2017 - As restated	 <u><u>\$ (10,101,371)</u></u>

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund.

The School District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(continued)

4. The Superintendent and Business Manager are authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The budget was amended during the year with supplemental appropriation, the last one approved prior to June 30, 2018. The School District considers these amendments to be significant.

Expenditures Over Appropriation in Budgeted Fund

The School District did not have budget overdrafts for the year ended June 30, 2018.

Sinking Fund Compliance

Sinking Fund – The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the School District. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$2,888,345 of the School District's bank balance of \$3,138,345 (money market deposit account, savings and checking accounts) that were uninsured and uncollateralized. The School District believes due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial credit risk – investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District Policy minimizes interest rate risk by requiring the School District to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools, and limiting the average maturity in accordance with the School District’s cash requirements.

Credit risk - State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The School District’s investment policy does not have specific limits in excess of state law on investment credit risk. The rating is identified below for investments held at year end.

Concentration of credit risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The School District’s policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported below.

At June 30, 2018, the maturities of investments and the credit quality ratings of investment securities held by the School District are as follows:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan CLASS	n/a	\$ 2,000,798	AAAm	Standard & Poor's
Money Market Fund	n/a	<u>410,312</u>	n/a	n/a
Total Investments		<u><u>\$ 2,411,110</u></u>		

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Due from governmental units June 30, 2018 consist of the following:

	General
State Aid	\$ 1,564,635
Federal	33,172
Other Governmental Entity	63,218
Net Total Due from Governmental Units	\$ 1,661,025

No allowance for doubtful accounts is considered necessary.

NOTE 5 - CAPITAL ASSETS

A summary of changes in the School District's capital assets follows:

	Balance July 1, 2017	Additions	Deletions	Reclassification	Balance June 30, 2018
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 158,683	\$ -	\$ -	\$ -	\$ 158,683
Construction in progress	483,265	-	-	(483,265)	-
Subtotal	641,948	-	-	(483,265)	158,683
Capital assets being depreciated					
Land Improvements	943,277	-	-	-	943,277
Building and Improvements	13,092,829	231,323	-	483,265	13,807,417
Machinery, Equipment & Furniture	4,157,253	13,498	97,384	-	4,073,367
Vehicles	975,531	-	-	-	975,531
Total Depreciable Assets	19,168,890	244,821	97,384	483,265	19,799,592
Less: Accumulated depreciation for:					
Land Improvements	458,414	42,990	-	-	501,404
Building and Improvements	6,443,027	284,916	-	-	6,727,943
Machinery, Equipment & Furniture	3,088,263	274,704	91,443	-	3,271,524
Vehicles	641,020	67,881	-	-	708,901
Subtotal	10,630,724	670,491	91,443	-	11,209,772
Net Depreciable Capital Assets	8,538,166	(425,670)	5,941	483,265	8,589,820
Governmental Activities Capital Assets, net	\$ 9,180,114	\$ (425,670)	\$ 5,941	\$ -	\$ 8,748,503

Depreciation is computed by the straight line method for all classes of assets. Depreciation for the fiscal year ended June 30, 2018 amounted to \$670,491. The School District determined that it was impractical to allocate depreciation and amortization to the various governmental activities as the assets serve multiple functions.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 - LONG-TERM DEBT

The School District issues bonds and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. The School District had total bonded debt outstanding of \$2,365,000. Remaining payments for all bonded indebtedness vary from \$430,000 to \$490,000 through 2023, and include interest at 2.0% – 3.0%.

A schedule of the 2015 refunding bond issued is as follows:

Year Ended			
June 30	Principal	Interest	Total Due
2019	\$ 455,000	\$ 60,362	\$ 515,362
2020	465,000	50,125	515,125
2021	480,000	38,500	518,500
2022	490,000	26,500	516,500
2023	475,000	14,250	489,250
	<u>\$ 2,365,000</u>	<u>\$ 189,737</u>	<u>\$ 2,554,737</u>

In prior years, the School District defeased their 2005 Bond by placing the proceeds of new bond in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account's asset and liabilities for the defeased bond is not included in the basic financial statements. At June 30, 2018, \$2,465,000 of bond outstanding is considered defeased.

At June 30, 2018 the School District had deferred outflows of \$106,371 related to the deferred loss on the 2015 bond refunding.

In August 2016, the School District entered into an installment purchase agreement to financed three buses, due in annual installments of \$41,744 through February 21, 2022, interest at 2.60%. A schedule of the future payments related to installment purchase agreement is as follows:

Fiscal Year Ending,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 37,670	\$ 4,074	\$ 41,744
2020	38,650	3,094	41,744
2021	39,655	2,089	41,744
2022	40,685	1,059	41,744
Total	<u>\$ 156,660</u>	<u>\$ 10,316</u>	<u>\$ 166,976</u>

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 - LONG-TERM DEBT (Continued)

The following is a schedule of the governmental long-term obligations for the School District for the year ended June 30, 2018:

	2015 General Obligation Refunding	Unamortized Bond Premium	Installment Purchase Agreement	Compensated Absences	Total
Balance July 1, 2017	\$2,815,000	\$ 126,403	\$ 193,376	\$ 147,088	\$ 3,281,867
Additions	-	-	-	-	-
Deletions	450,000	21,067	36,716	13,442	521,225
Balance June 30, 2018	2,365,000	105,336	156,660	133,646	2,760,642
Less: current portion	455,000	21,067	37,670	-	513,737
Total due after one year	<u>\$1,910,000</u>	<u>\$ 84,269</u>	<u>\$ 118,990</u>	<u>\$ 133,646</u>	<u>\$ 2,246,905</u>

The debt service requirements of governmental activities at June 30, 2018 were as follows:

Fiscal Year Ending,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 492,670	\$ 64,436	\$ 557,106
2020	503,650	53,219	556,869
2021	519,655	40,589	560,244
2022	530,686	27,558	558,244
2023	475,000	14,250	489,250
Total	<u>\$ 2,521,661</u>	<u>\$ 200,052</u>	<u>\$ 2,721,713</u>

Interest expense for the year amounted to \$74,728.

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Plan Description

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

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

twelve members-eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

Contribution

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.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

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

The School District's required and actual contributions to the plan for the year ended June 30, 2018 were \$1,478,232. The School District's required and actual contributions include an allocation of \$721,219 in revenue received from the State of Michigan, and remitted to MPSERS to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2018.

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

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	19.03 %
Member Investment Plan	3.0 - 7.0 %	19.03 %
Pension Plan	3.0 - 6/4 %	18.40 %
Defined Contribution	0.0 %	15.27 %

Required contributions from School District were \$1,376,223 for the year ended September 30, 2017.

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

At June 30, 2018, the School District's reported a liability of \$15,205,000 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2016. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

pension contributions required from all applicable employers during the measurement period. At September 30, 2017, School District's proportion was .05867 percent, which was a decrease of .00025 percent from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018 the School District recognized total pension expense of \$1,504,136. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferered Inflows of Resources
Difference between actual and expected experience	\$ 132,142	\$ (74,608)
Changes of assumptions	1,665,829	-
Net difference between projected and actual earnings on pension plan investments	-	(726,899)
Changes in proportion and differences between School District contributions and proportionate share of contributions	161,769	(432,592)
School District contributions subsequent to the measurement date	<u>1,392,489</u>	<u>-</u>
Total	<u><u>\$ 3,352,229</u></u>	<u><u>\$ (1,234,099)</u></u>

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

2018	\$ 205,116
2019	\$ 434,271
2020	\$ 125,319
2021	\$ (39,065)

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

In addition, the School District had deferred inflows of revenues related to revenue in support of pension payments made subsequent to the measurement date totaling \$721,219 at June 30, 2018.

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	
MIP and Basic Plans (Non-Hybrid):	7.50%
Pension Plus Plan (Hybrid)	7.00%
Projected Salary Increases:	3.5% to 12.3% Including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of MPSERS. 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.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Notes

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by MPSERS for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.5188 for non-university employers 1.1222 for university employers)
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual financial Report found on the ORS website at www.michigan.gov/orsschools.

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, 2017, are summarized in the following table:

Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0%	8.7%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	-0.1%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short Term Investment Pools	2.0%	-0.9%
Total	100.0%	

*Long term rate of return are net of administrative expenses and 2.3% inflation.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Rate of Return

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

Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

1% Decrease (Non-Hybrid/Hybrid)*	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)*	1% Increase (Non-Hybrid/Hybrid)*
6.5% / 6.0%	7.5% / 7.0%	8.5% / 8.0%
\$19,807,058	\$15,205,000	\$11,330,361

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

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2018, the School District reported a payable of approximately \$110,244 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

Benefits Provided

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability.

Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The School District's required and actual contributions to the plan for the year ended June 30, 2018 were \$382,905.

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

OPEB Contribution Rates

Benefit Structure	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00 %	5.91 %
Personal Healthcare Fund (PHF)	0.00 %	5.69 %

Required contributions to the OPEB plan from the School District were \$454,633 for the year ended September 30, 2017.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

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

At June 30, 2018, the School District reported liability of \$5,171,194 for its proportionate share of all MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was .05839 percent, which was a decrease of .05478 percent from its proportion measured as of October 1, 2016.

For the year ending June 30, 2018, the School District recognized OPEB expense of \$345,944. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ (55,058)
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(119,766)
Changes in proportion and differences between School District contributions and proportionate share of contributions	244	-
School District contributions subsequent to the measurement date	<u>290,592</u>	<u>-</u>
Total	<u>\$ 290,836</u>	<u>\$ (174,824)</u>

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

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

Deferred (Inflow) and Deferred Outflow
of Resources by Year
(To Be Recognized in Future OPEB Expenses)

2018	\$	(42,192)
2019	\$	(42,192)
2020	\$	(42,192)
2021	\$	(42,192)
2022	\$	(5,812)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	7.50%
Projected Salary Increases:	3.50% to 12.30% Including wage inflation at 3.50%
Healthcare Cost Trend Rate:	7.50% 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

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Other Assumptions:

Opt Out Assumptions 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan

Survivor Coverage 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death

Coverage Election at Retirement 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (5.4744 for non-university employers or 1.4186 for university employers).
- Recognition period for assets in years is 5.000.
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

OPEB plan’s target asset allocation as of September 30, 2017, are summarized in the following table:

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

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

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

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

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

1% Decrease	Current Discount Rate	1% Increase
6.50%	7.50%	8.50%
\$6,056,963	\$5,171,194	\$4,419,454

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
6.50%	7.50%	8.50%
\$4,379,306	\$5,171,194	\$6,070,327

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ors website at www.michigan.gov/orsschools.

NOTE 9 - INTERFUND BALANCES AND TRANSFERS

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at June 30, 2018 are expected to be repaid within the next fiscal year.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - INTERFUND BALANCES AND TRANSFERS (Continued)

A schedule of interfund balances follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Nonmajor	\$ 4,130	Major	\$ 4,130

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. There were no interfund transfers during fiscal year 2018.

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. The premiums are based on the ultimate cost of the experience to date of the participating members of the risk pool. The School District cannot estimate losses from reported and unreported claims at June 30, 2018. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2018 or any of the prior three years.

NOTE 11 - CONTINGENCIES

The School District had no contingencies at June 30, 2018.

NOTE 12 - AT RISK

During the year, the School District received State categorical aid for at risk students, which amounted to \$243,361. The School District split all of these funds for at risk students.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - SHORT-TERM DEBT - STATE AID NOTES

State School aid anticipation notes are issued under the provisions of Section 1225 of Act 451, Public Acts of Michigan, and Act 34 of Michigan for the purpose of providing money for school operations. The School District has pledged its state aid as collateral. In the event of unavailability or insufficiency of State school aid, the note is payable from taxes levied by the School District. The interest rate was 1.270% and the maturity date is August 21, 2018. The interest expense related to this note at June 30, 2018 is \$3,324.

Short-term debt activity for the fiscal year ended June 30, 2018 was as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>
2016-2017	\$ 535,714	\$ -	\$ 535,714	\$ -
2017-2018	<u>-</u>	<u>353,324</u>	<u>283,250</u>	<u>70,074</u>
Totals	<u>\$ 535,714</u>	<u>\$ 353,324</u>	<u>\$ 818,964</u>	<u>\$ 70,074</u>

NOTE 14 - NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$289,305 of restricted net position at June 30, 2018, all of which is restricted by enabling legislation.

REQUIRED SUPPLEMENTARY INFORMATION

**Clinton Community Schools
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
Revenues:				
Local sources	\$ 1,212,658	\$ 1,287,238	\$ 1,286,217	\$ (1,021)
Intermediate sources	500,838	553,259	544,691	(8,568)
State sources	7,855,077	8,725,164	8,710,182	(14,982)
Federal sources	104,644	144,461	142,144	(2,317)
Total revenues	<u>9,673,217</u>	<u>10,710,122</u>	<u>10,683,234</u>	<u>(26,888)</u>
Expenditures:				
Current:				
Instruction:				
Basic programs	5,635,541	5,608,480	5,559,493	48,987
Added needs	1,131,624	983,435	962,948	20,487
Total instruction	<u>6,767,165</u>	<u>6,591,915</u>	<u>6,522,441</u>	<u>69,474</u>
Support services:				
Pupil	253,001	273,612	270,939	2,673
Instructional staff	301,498	478,474	469,551	8,923
General administration	304,007	276,873	269,895	6,978
School administration	611,215	595,229	590,396	4,833
Business and fiscal services	250,707	239,900	231,003	8,897
Operation & maintenance	978,441	900,648	875,361	25,287
Transportation	321,017	394,151	355,674	38,477
Athletics	320,186	316,863	309,717	7,146
Total support services	<u>3,340,072</u>	<u>3,475,750</u>	<u>3,372,536</u>	<u>103,214</u>
Community service:	-	29,058	29,029	29
Total community service	<u>-</u>	<u>29,058</u>	<u>29,029</u>	<u>29</u>
Total expenditures	<u>10,107,237</u>	<u>10,096,723</u>	<u>9,924,006</u>	<u>172,717</u>
Excess (deficiency) of revenues over expenditures	<u>(434,020)</u>	<u>613,399</u>	<u>759,228</u>	<u>145,829</u>
Other financing sources (uses):				
Redemption of principal	(38,709)	(38,709)	(36,716)	1,993
Interest and fees	(3,035)	(3,035)	(5,027)	(1,992)
Proceeds from sale of asset	-	500	500	-
Total other financing sources (uses)	<u>(41,744)</u>	<u>(41,244)</u>	<u>(41,243)</u>	<u>1</u>
Net change in fund balance	<u>(475,764)</u>	<u>572,155</u>	<u>717,985</u>	<u>145,830</u>
Fund balance:				
Beginning of year	2,112,741	2,112,741	2,112,741	-
End of year	<u>\$ 1,636,977</u>	<u>\$ 2,684,896</u>	<u>\$ 2,830,726</u>	<u>\$ 145,830</u>

Clinton Community Schools
Required Supplemental Information
Schedule of Clinton Community Schools' Pension Contribution to
Michigan Public Schools Employees Retirement Plan
Determined as of the Year Ended June 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,593,272	\$ 1,409,968	\$ 1,241,914	\$ 1,610,048
Contribution in relation to statutorily required contribution	<u>1,593,272</u>	<u>1,409,968</u>	<u>1,241,914</u>	<u>1,610,048</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 4,874,877	\$ 5,113,927	\$ 5,137,407	\$ 5,229,203
Contribution as a percentage of covered-employee payroll	32.68%	27.57%	24.17%	30.79%

Clinton Community Schools
Required Supplemental Information
Schedule of Clinton Community Schools' Proportionate Share of the Net Pension Liability
Michigan Public Schools Employees Retirement Plan
Determined as of the Plan Year Ended September 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.05867%	0.05892%	0.06171%	0.06000%
School District's proportionate share of the net pension liability	\$ 15,205,000	\$ 14,701,487	\$ 15,073,622	\$ 13,216,966
School District's covered-employee payroll	\$ 4,927,828	\$ 4,856,336	\$ 5,137,407	\$ 5,093,723
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	308.55%	302.73%	293.41%	259.48%
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%

Clinton Community Schools
Required Supplemental Information
Schedule of Clinton Community Schools' OPEB Contribution to
Michigan Public Schools Employees Retirement Plan
Determined as of the Year Ended June 30

	2018
Statutorily required contributions	\$ 352,930
Contribution in relation to statutorily required contribution	352,930
Contribution deficiency (excess)	\$ -
School District's covered-employee payroll	\$ 4,874,877
Contribution as a percentage of covered-employee payroll	7.24%

Clinton Community Schools
Required Supplemental Information
Schedule of Clinton Community Schools' Proportionate Share of the Net OPEB Liability
Michigan Public Schools Employees Retirement Plan
Determined as of the Plan Year Ended September 30

	2017
School District's proportion of the net OPEB liability	0.05839%
School District's proportionate share of the net OPEB liability	\$ 5,171,194
School District's covered-employee payroll	4,927,828
School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	104.94%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

CLINTON COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1: CHANGES OF BENEFIT TERMS

There were no changes of benefit terms in 2017 for pension and OPEB.

NOTE 2: CHANGES OF ASSUMPTIONS

There were no changes of benefit assumptions in 2017 for pension and OPEB.

OTHER SUPPLEMENTAL INFORMATION

DARNELL & MEYERING, P.C.

Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
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INDEPENDENT AUDITOR'S 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*

To the Board of Education
Clinton Community Schools
Clinton, 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 Clinton Community Schools (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 10, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the School District's 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 the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's 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 School District'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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of finding and response as item 2018-001 that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the School District's 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*.

SCHOOL DISTRICT'S RESPONSE TO FINDING

The School District's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Darnell & Meyering, P.C.

DARNELL & MEYERING, P.C.

Taylor, MI
October 10, 2018

**Clinton Community Schools
Schedule of Finding and Response
June 30, 2018**

Reference
Number

Finding

2018-001 **Finding Type – Significant Deficiency**

Finding: As a result of our audit procedures, we proposed significant audit adjustments, which is reflected in the June 30, 2018 financial statements. The entries we identify this year are related to an accrual of the vehicle not yet received by the District and accrual of a project that did not take place until July 2018. We were noted that there was a delay in the expected delivery of the vehicle and that the project related to improvements did not start as expected.

Recommendations: We recommend that expenditures will be recognized when the goods are received or when the services are performed. In addition, we recommend that the Business Office will be provided up to date information if an item was not received or a project did not start as expected this will allow the Business Office to account for the transaction accordingly.

Individual Responsible for Corrective Action Plan: Carol Wahl (Business Manager)

View of Responsible Officials and Planned Corrective Actions: We agree with the auditor's recommendation and will ensure that accruals will be closely monitored and communicated with respective departments.

**Clinton Community Schools
Combining Balance Sheet
Nonmajor Governmental Fund
June 30, 2018**

	Special Revenue	Debt Service	Capital Project	Total Nonmajor Governmental Funds
Assets				
Assets:				
Cash and equivalents	\$ 56,915	\$ 64,369	222,521	\$ 343,805
Receivables				
Accounts	929	-	-	929
Due from other fund	4,130	-	-	4,130
Inventory	3,561	-	-	3,561
Total Assets	<u>\$ 65,535</u>	<u>\$ 64,369</u>	<u>\$ 222,521</u>	<u>\$ 352,425</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 46,115	\$ 46,115
Unearned revenue	5,700	-	-	5,700
Total Liabilities	<u>5,700</u>	<u>-</u>	<u>46,115</u>	<u>51,815</u>
Fund Balances:				
Nonspendable - inventory	3,561	-	-	3,561
Restricted				
School lunch program	56,274	-	-	56,274
Debt service	-	64,369	-	64,369
Capital outlay	-	-	176,406	176,406
Total Fund Balances	<u>59,835</u>	<u>64,369</u>	<u>176,406</u>	<u>300,610</u>
Total Liabilities and Fund Balances	<u>\$ 65,535</u>	<u>\$ 64,369</u>	<u>\$ 222,521</u>	<u>\$ 352,425</u>

Clinton Community Schools
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2018

	Food Service Revenue	Debt Service	Capital Project Fund	Total Nonmajor Governmental Funds 2018
Revenues:				
Local sources:				
Property taxes	\$ -	\$ 506,488	\$ 233,742	\$ 740,230
Investment earnings	-	585	-	585
Food sales	189,290	-	-	189,290
Total local sources	<u>189,290</u>	<u>507,073</u>	<u>233,742</u>	<u>930,105</u>
State sources	12,422	-	-	12,422
Federal sources	<u>207,823</u>	<u>-</u>	<u>-</u>	<u>207,823</u>
Total revenues	<u>409,535</u>	<u>507,073</u>	<u>233,742</u>	<u>1,150,350</u>
Expenditures:				
Food service/activities	397,261	-	-	397,261
Capital outlay	-	-	220,335	220,335
Debt service				
Fees	-	1,500	-	1,500
Total expenditures	<u>397,261</u>	<u>1,500</u>	<u>220,335</u>	<u>619,096</u>
Excess (deficiency) of revenues over expenditures	<u>12,274</u>	<u>505,573</u>	<u>13,407</u>	<u>531,254</u>
Other Financing Sources (Uses):				
Principal repayment	-	(450,000)	-	(450,000)
Interest payment	-	(69,362)	-	(69,362)
Total other financing sources (uses)	<u>-</u>	<u>(519,362)</u>	<u>-</u>	<u>(519,362)</u>
Net change in fund balance	12,274	(13,789)	13,407	11,892
Fund balance:				
Beginning of year	47,561	78,158	162,999	288,718
End of year	<u>\$ 59,835</u>	<u>\$ 64,369</u>	<u>\$ 176,406</u>	<u>\$ 300,610</u>

Clinton Community Schools
Schedule of Cash Receipts, Disbursements and Liabilities
Agency Funds
Year Ended June 30, 2018

	<u>Liability Balance July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Liability Balance June 30, 2018</u>
Assets				
Cash and cash equivalents	\$ 97,744	\$ 388,917	\$ 369,284	\$ 117,377
Total assets	<u>\$ 97,744</u>	<u>\$ 388,917</u>	<u>\$ 369,284</u>	<u>\$ 117,377</u>
Liabilities				
Due to student groups	\$ 97,744	\$ 388,917	\$ 369,284	\$ 117,377
Total liabilities	<u>\$ 97,744</u>	<u>\$ 388,917</u>	<u>\$ 369,284</u>	<u>\$ 117,377</u>

DARNELL & MEYERING, P.C.

Certified Public Accountants

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

October 10, 2018

Board of Education
Clinton Community Schools
Clinton, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clinton Community Schools (the School District) for the year ended June 30, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 27, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management discussion analysis, budgetary comparison schedule of major fund, schedule of pension contributions, schedule of the School District's proportionate share of the net pension liability, schedule of other postemployment benefit (OPEB) contributions, and schedule of the School District's proportionate of the net OPEB liability, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on other supplementary information such as the nonmajor combining statements and schedule of cash receipts, disbursements and liabilities of the agency fund, which accompany the financial statements but are not RSI. Our responsibility for these supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope, Timing of the Audit, and Other

We performed our audit according to the planned scope and timing previously communicated in our discussion with the Board of Education President and in our engagement letter about the audit scope and timing.

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 School District are described in Note 1 to the financial statements. As discussed in Note 1 to the basic financial statements, effective July 1, 2017, the School District adopted the provisions of the Governmental Accounting Standards Board Statement No. 75. Accordingly, the accounting change has been retrospectively applied to July 1, 2017 as required by the Standard.

We noted no transactions entered into by School District during the year for which there is a 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 relate to the School District's share of the MPSERS pension plan net pension liability and net OPEB liability recorded on the government-wide statements for the implementation of GASB 68 and GASB 75, respectively.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of net pension liability and net OPEB liability.

The financial statement disclosures are neutral, consistent, and clear.

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 us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Overstatement of expenditure – vehicle \$29,180
- Overstatement of expenditure – ground improvements \$107,757

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 10, 2018.

Management Consultations with Other Independent 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 governmental unit'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.

Other Matters

We applied certain limited procedures to Management's Discussion & Analysis, Budgetary Comparison Schedule (General Fund), Schedule of Clinton Community Schools' Pension Contributions, Schedule of Clinton Community Schools' Proportionate

Share of Net Pension Liability, Schedule of Clinton Community Schools OPEB contributions, Schedule of Clinton Community Schools' Proportionate Share of Net OPEB Liability and notes to required supplementary information which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures 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. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the other supplemental information accompanying the financial statements that are not RSI, as shown in the table of contents, 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.

Restriction on Use

This information is intended solely for the use of Board of Education and management of Clinton Community Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Darnell & Meyering, P.C.

Darnell & Meyering PC