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By Gloria Suggitt at 9:04 am, Oct 18, 2017

Clawson Public Schools
Financial Statements
June 30, 2017



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Clawson Public Schools
Members of the Board of Education and Administration
June 30, 2017

Members of the Board of Education

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

Administration

Monique Beels	Superintendent
Jackie Johnston	Assistant Superintendent of Business Services



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Independent Auditors' Report

To the Board of Education
Clawson Public Schools

Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clawson Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clawson Public Schools, as of June 30, 2017, 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, budgetary comparison information, the schedule of the school district's proportionate share of net pension liability, and schedule of the school district's contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clawson Public Schools' basic financial statements. Other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2017 on our consideration of Clawson Public Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Clawson Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clawson Public Schools internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, MI
October 5, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Clawson Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**



This section of Clawson Public Schools' annual financial report presents management's discussion and analysis of the School District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Overview of Annual Financial Report

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

Management's Discussion and Analysis (MD & A)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Budgetary Comparison Schedule – General Fund

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

Schedule of the School District's Contributions

Other Supplementary Information

Combining Statements for Nonmajor Governmental Funds

Schedule of Outstanding Bonded Indebtedness

The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The Fund Financial Statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The Fund Financial Statements look at the School District's most significant funds – the General Fund, Debt Service Fund, and 2014 Capital Projects Fund, with all other funds presented in one column as Nonmajor Governmental Funds. The Statements for the Fiduciary Funds present financial information about activities for which the School District acts solely as an agent or trustee for the benefit of students and parents. The remaining statements include Combining Statements of Nonmajor Governmental Fund Types.

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

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

The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position, the difference between assets and liabilities as reported in the Statement of Net Position, as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position, as reported in the Statement of Activities, are indicators of whether its financial health is improving or deteriorating. The difference between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The Statement of Net Position and the Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting on the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds and not on the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes such as the Food Service Fund. Funds are also established to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental Funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which reports only those assets that are "measurable" and "currently available". Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information is used to help determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship between governmental activities and governmental funds is shown in a reconciliation format in the financial section on pages 4-3 and 4-6.

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

The School District acts as the trustee for its trust funds and student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary assets and liabilities and changes in fiduciary net position. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring the assets reported in these funds are used for their intended purposes.

Summary of Net Position

The Statement of Net Position provides the perspective of the School District as a whole. The School District's net position (deficit) totaled \$(19,383,732) and \$(18,405,713) at June 30, 2016 and 2017, respectively. Of those amounts, \$49,475 and \$159,983 were restricted. Restricted net position amounts are reported separately to highlight any legal constraints included in debt covenants and legislation that may limit the School District's ability to use those net position for day-to-day operations. Net investment in capital assets totaled \$9,019,269 and \$9,369,702. This represents the original cost of capital assets less accumulated depreciation and net of the long-term debt used to finance the acquisition of those assets.

The unrestricted net position (deficit) at June 30, 2017, of \$(27,935,398) represents the cumulative results of all past years' operations and includes the GASB 68 Unfunded Liability.

The following is a summary of the School District's net position at June 30, 2016 and 2017.

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

	June 30, 2016	June 30, 2017
Assets		
Current assets	\$ 5,730,030	\$ 5,643,731
Capital assets	68,102,445	68,580,634
Less: Accumulated depreciation	(31,853,881)	(33,475,261)
Capital assets, net book value	36,248,564	35,105,373
Total assets	41,978,594	40,749,104
Deferred outflows of resources		
Deferred amount on debt refunding	399,934	406,843
Pension expense related to net pension liability	2,545,632	3,861,193
Total assets and deferred outflows of resources	44,924,160	45,017,140
Liabilities		
Current liabilities	5,030,063	5,272,354
Long-term liabilities	58,471,420	55,939,743
Total liabilities	63,501,483	61,212,097
Deferred inflows of resources		
Net pension liability	806,409	2,210,756
Total liabilities and deferred inflows of resources	64,307,892	63,422,853
Net Position		
Net investment in capital assets	9,019,269	9,369,702
Restricted for debt service	19,652	151,577
Restricted for food service	29,823	8,406
Unrestricted	(28,452,476)	(27,935,398)
Total net position	\$ (19,383,732)	\$ (18,405,713)

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Analysis of Financial Position

During the fiscal year ended June 30, 2017, the District's net position decreased (See Results of Operations section). A few of the significant factors affecting net assets during the year are discussed below:

A. General Fund Operations

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

B. Debt, Principal Payments

The District continued to pay-down long-term debt during fiscal year 2017. New debt was issued for the refunding of prior bonds issued in 2007.

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
2017 Refunding	\$ -	\$ 4,265,000	\$ -	\$ 4,265,000
2016 Refunding	6,855,000	-	-	6,855,000
2015 Refunding	3,370,000	-	1,665,000	1,705,000
2014 Building & Site Bonds	8,990,000	-	325,000	8,665,000
2011 Technology Bond	2,410,000	-	495,000	1,915,000
2007 Refunding	4,380,000	-	4,380,000	-
2009 Building & site bonds	1,350,000	-	145,000	1,205,000
	<u>\$ 27,355,000</u>	<u>\$ 4,265,000</u>	<u>\$ 7,010,000</u>	<u>\$ 24,610,000</u>

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

C. Net Investment in Capital Assets

The District's net investment in capital assets increased by about \$350,000 during the fiscal year as a result of additions exceeding depreciation and change in related debt. Change in Capital Assets is as follows:

	Balance June 30, 2016	Additions	Disposals	Balance June 30, 2017
Capital Assets	\$ 68,102,445	\$ 6,421,698	\$ 5,943,509	\$ 68,580,634
Less: Accumulated depreciation	<u>(31,853,881)</u>	<u>(2,036,614)</u>	<u>(415,234)</u>	<u>(33,475,261)</u>
Net capital assets being depreciated	<u>\$ 36,248,564</u>	<u>\$ 4,385,084</u>	<u>\$ 6,358,743</u>	<u>\$ 35,105,373</u>

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

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

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Results of Operations

For fiscal years ending June 30, 2016 and 2017, the district wide results of operations were:

	<u>June 30, 2016</u>	<u>June 30, 2017</u>		<u>June 30, 2016</u>	<u>June 30, 2017</u>
Revenues			Expenses		
General Revenues:			Govenmental activities		
Property taxes - general operations	\$ 1,892,695	\$ 1,825,924	Instruction	\$ 14,164,071	\$ 13,804,687
Property taxes - debt service	2,807,300	3,001,965	Supporting Services	9,514,576	8,699,781
State unrestricted foundation aid	10,942,307	11,429,655	Food services	703,563	676,276
Other general revenues	361,621	554,451	Community services	887,960	905,849
Total general revenues	<u>16,003,923</u>	<u>16,811,995</u>	Interest and other charges	<u>1,178,285</u>	<u>860,263</u>
Operating Grants:			Total expenses	<u>26,448,455</u>	<u>24,946,856</u>
Federal	1,391,496	1,013,538			
State of Michigan	3,645,549	3,828,646	Change in net position	(698,688)	978,019
Other operating grants	<u>3,128,225</u>	<u>2,657,413</u>			
Total operating grants	8,165,270	7,499,597			
Charges for services:					
Food service	295,165	268,479			
Community services	885,521	938,193			
Other charges for services	<u>399,888</u>	<u>406,611</u>			
Total charges for services	<u>1,580,574</u>	<u>1,613,283</u>	Beginning net position	<u>(18,685,044)</u>	<u>(19,383,732)</u>
Total revenue	<u>\$ 25,749,767</u>	<u>\$ 25,924,875</u>	Ending net position	<u>\$ (19,383,732)</u>	<u>\$ (18,405,713)</u>

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

State of Michigan Unrestricted Aid (Net State Foundation Grant)

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

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

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Clawson Public Schools foundation allowance was \$8,172 per student for the 2016-2017 fiscal year.

Student enrollment:

The District's student enrollment is based on a blend of two count dates: ninety percent of the fall count and ten percent of the prior winter count. For 2016-2017, the blended count was 1,716.68 students. The District's enrollment increased in the 2016-17 fiscal year, but declined the preceding 4 years. Enrollment in the 2016-17 fiscal year was 99 students lower as compared to the 2007-08 fiscal year. Enrollment is expected to decline slightly for the 2017-18 fiscal year primarily due to a smaller incoming kindergarten class as compared to the outgoing senior class.

Fiscal Year	Student FTE	FTE Change from Increase/ (Decrease)
2016-2017	1,717	47
2015-2016	1,670	(94)
2014-2015	1,764	(29)
2013-2014	1,793	(45)
2012-2013	1,838	(18)
2011-2012	1,856	(5)
2010-2011	1,861	47
2009-2010	1,814	11
2008-2009	1,803	(13)
2007-2008	1,816	151

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

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

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

The District's non-homestead property tax levy for the 2016-2017 fiscal year was \$1,817,938. The non-homestead tax levy revenues increased by \$10,796 under the prior year. As a result, the district realized more local tax dollars which were offset by a decrease in state aid of an equal amount.

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

Fiscal Year	Non-homestead Tax Levy
2016-2017	\$ 1,817,938
2015-2016	1,828,731
2014-2015	1,777,461
2013-2014	1,739,990
2012-2013	1,680,653

Debt Fund Taxes

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

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

For 2016-2017, the debt millage was 9.06 mills, which is a .61 increase from the 2015-2016 fiscal year. The millage generated revenue in the amount of \$3,001,965 in the 2016-2017 fiscal year compared to \$2,807,300 in 2015-2016.

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

General Fund Budget & Actual Revenues and Expenditures

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

				Revenue Variance Actual & Original Budget	Revenue Variance Actual & Final Budget
Fiscal Year	Revenue Original Budget	Revenue Final Budget	Revenue Final Actual		
2012-2013	21,731,127	21,725,322	21,642,632	-0.41%	-0.38%
2013-2014	21,098,726	21,563,054	21,568,702	2.23%	0.03%
2014-2015	21,284,487	22,242,240	21,683,895	1.88%	-2.51%
2015-2016	21,917,928	21,755,037	21,545,865	-1.70%	-0.96%
2016-2017	20,249,914	19,629,866	19,693,355	-2.75%	0.32%

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

				Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual		
2012-2013	21,702,231	21,891,573	22,444,429	3.42%	2.53%
2013-2014	21,404,108	22,431,912	22,240,475	3.91%	-0.85%
2014-2015	21,087,097	23,109,989	22,108,953	4.85%	-4.33%
2015-2016	22,134,404	22,463,427	21,891,045	-1.10%	-2.55%
2016-2017	21,249,253	19,739,322	19,133,063	-9.96%	-3.07%

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Original vs. Final Budget

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

As a matter of practice, the Clawson Public Schools reviews and if necessary, amends the budget at least twice during the fiscal year. For the Fiscal year June 30, 2017, the budget was reviewed quarterly and amended three times. The June 19, 2017 budget amendment was the final budget for the fiscal year. The initial General Fund budget included the ASD Center Program, which was ultimately removed from the General Fund and moved into a Special Revenue Fund for 2016-17 and going forward. Actual revenues and expenditures for the 2016-17 ASD Center Program totaled \$1,243,295 and \$1,649,738 respectively.

Change from Original to Final Budget – General Fund Revenues:

	Amount of Budget	
Total Revenues, Original budget	\$ 20,249,914	100.00%
Total Revenues, Final budget	<u>19,629,886</u>	96.94%
Decrease in Budgeted Revenues	<u>\$ (620,028)</u>	-3.06%

The District's original general fund revenue budget differed from the final budget by \$(620,028), a variance of -3.06 % percent from the final budget.

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Change from Original to Final Budget – General Fund Expenditures:

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

	Amount of Budget	
Total Expenditures, Original budget	\$ 21,249,253	100.00%
Total Expenditures, Final budget	<u>19,739,322</u>	92.89%
Decrease in Budgeted Expenditures	<u>\$ (1,509,931)</u>	-7.11%

As reflected above, the District's original general fund revenue budget differed from the final budget by \$(1,509,931), a variance of -7.11 % percent from the final budget.

Economic Factors and Next Year's Budgets

Our Board of Education and administration considered many factors when setting the School District's 2017-2018 fiscal year budget. The two most significant factors affecting the budget are our blended student count and the State per pupil foundation allowance.

Under the State's blending formula, the blended count for the 2017-2018 fiscal year is based on 90% of the October 2017 count plus 10% of the February 2017 count. Enrollment from the October 2017 count is expected to be about 25 students lower than the estimated enrollment used for the 2017-2018 budget. For the 2017-2018 budget, enrollment was estimated to decrease 25 students and the foundation allowance was budgeted at \$8,244 per student. The budgeted blended count of 1,689 is now projected to decrease to approximately 1,664, and the foundation allowance is currently expected to be \$8,259. Assuming \$8,259 per student and 1,689 students, District foundation revenue will be approximately \$180,000 less than the amount budgeted. Overall the district has budgeted conservatively and coupled with an increase in Fund Balance to 9.3% of revenues, the district is well positioned to absorb this variance.

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

**Clawson Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

Clawson Public Schools
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash	\$ 2,450,362
Accounts receivable	27,702
Due from other governmental units	3,137,944
Inventory	23,194
Prepaid items	4,529
Capital assets not being depreciated	508,550
Capital assets - net of accumulated depreciation	<u>34,596,823</u>
Total assets	<u>40,749,104</u>
 Deferred outflows of resources	
Deferred amount relating to the net pension liability	3,861,193
Deferred amount on debt refunding	<u>406,843</u>
Total deferred outflows of resources	<u>4,268,036</u>
 Total assets and deferred outflows of resources	 <u>45,017,140</u>

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Statement of Net Position
June 30, 2017

	Governmental Activities
Liabilities	
Accounts payable	\$ 353,678
Due to other governmental units	503,626
Due to agency fund activities	68,741
Payroll deductions and withholdings	338,779
Accrued expenditures	357,447
Accrued salaries payable	961,397
Unearned revenue	58,686
Noncurrent liabilities	
Net pension liability	31,105,061
Debt due within one year	2,675,000
Debt due in more than one year	24,789,682
Total liabilities	<u>61,212,097</u>
Deferred inflows of resources	
Deferred amount on net pension liability	<u>2,210,756</u>
Total liabilities and deferred inflows of resources	<u>63,422,853</u>
Net Position	
Net investment in capital assets	9,369,702
Restricted for	
Food service	8,406
Debt service	151,577
Unrestricted	<u>(27,935,398)</u>
Total net position	<u>\$ (18,405,713)</u>

Clawson Public Schools
Statement of Activities
For the Year Ended June 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental activities					
Instruction	\$ 13,804,688	\$ 52,208	\$ 6,366,421	\$ -	\$ (7,386,059)
Supporting services	8,699,390	354,403	869,939	-	(7,475,048)
Food services	676,276	268,479	263,237	-	(144,560)
Community services	906,239	938,193	-	-	31,954
Interest and other charges	860,263	-	-	-	(860,263)
Total governmental activities	<u>\$ 24,946,856</u>	<u>\$ 1,613,283</u>	<u>\$ 7,499,597</u>	<u>\$ -</u>	<u>(15,833,976)</u>
General revenues					
Property taxes, levied for general purposes					1,825,924
Property taxes, levied for debt service					3,001,965
State aid - unrestricted					11,429,655
Interest and investment earnings					7,199
Other					<u>547,252</u>
Total general revenues					<u>16,811,995</u>
Change in net position					978,019
Net position - beginning					<u>(19,383,732)</u>
Net position - ending					<u>\$ (18,405,713)</u>

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Debt Service Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 1,046,476	\$ 151,577	\$ 961,495	\$ 290,814	\$ 2,450,362
Accounts receivable	3,005	-	-	24,697	27,702
Due from other funds	38,778	-	-	324,175	362,953
Due from other governmental units	3,115,162	-	-	22,782	3,137,944
Inventory	-	-	-	23,194	23,194
Prepaid items	3,567	-	-	962	4,529
	<u>4,206,988</u>	<u>151,577</u>	<u>961,495</u>	<u>686,624</u>	<u>6,006,684</u>
Total assets	<u>\$ 4,206,988</u>	<u>\$ 151,577</u>	<u>\$ 961,495</u>	<u>\$ 686,624</u>	<u>\$ 6,006,684</u>
Liabilities					
Accounts payable	\$ 91,841	\$ -	\$ 207,280	\$ 54,557	\$ 353,678
Due to other funds	324,175	-	-	38,778	362,953
Due to other governmental units	481,840	-	-	21,786	503,626
Due to agency fund activities	68,741	-	-	-	68,741
Payroll deductions and withholdings	313,603	-	-	25,176	338,779
Accrued expenditures	172,134	-	-	20,313	192,447
Accrued salaries payable	883,744	-	-	77,653	961,397
Unearned revenue	33,353	-	-	25,333	58,686
	<u>2,369,431</u>	<u>-</u>	<u>207,280</u>	<u>263,596</u>	<u>2,840,307</u>
Total liabilities	<u>2,369,431</u>	<u>-</u>	<u>207,280</u>	<u>263,596</u>	<u>2,840,307</u>
Deferred inflows of resources					
Unavailable revenue	<u>4,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,548</u>

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Debt Service Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance					
Non-spendable					
Inventory	\$ -	\$ -	\$ -	\$ 23,194	\$ 23,194
Prepaid items	3,567	-	-	962	4,529
Restricted for					
Food service	-	-	-	8,406	8,406
Debt service	-	151,577	-	-	151,577
Capital projects	-	-	754,215	327,140	1,081,355
Assigned for					
Community education	-	-	-	18,292	18,292
Unassigned	<u>1,829,442</u>	<u>-</u>	<u>-</u>	<u>45,034</u>	<u>1,874,476</u>
 Total fund balance	 <u>1,833,009</u>	 <u>151,577</u>	 <u>754,215</u>	 <u>423,028</u>	 <u>3,161,829</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 4,206,988</u>	 <u>\$ 151,577</u>	 <u>\$ 961,495</u>	 <u>\$ 686,624</u>	 <u>\$ 6,006,684</u>

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances for governmental funds	\$ 3,161,829
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	508,550
Capital assets - net of accumulated depreciation	34,596,823
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	406,843
Deferred outflow of resources resulting from the net pension liability	3,861,193
Deferred inflows of resources resulting from net pension liability	(2,210,756)
Deferred inflows in the fund statements are recognized as financial resources in governmental activities	
Deferred inflows of resources	4,548
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(165,000)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(31,105,061)
Bonds payable	(26,337,661)
School bond loan payable	(782,572)
Accrued interest on school bond loan	(21,875)
Compensated absences and retirement pay	(218,938)
Other liabilities	(103,636)
Net position of governmental activities	\$ <u>(18,405,713)</u>

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	Debt Service Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 2,369,119	\$ 3,002,804	\$ 4,541	\$ 1,163,371	\$ 6,539,835
State sources	15,197,825	32,296	-	28,180	15,258,301
Federal sources	690,830	-	-	322,708	1,013,538
Interdistrict sources	1,435,581	-	-	1,241,399	2,676,980
 Total revenues	 19,693,355	 3,035,100	 4,541	 2,755,658	 25,488,654
Expenditures					
Current					
Education					
Instruction	11,077,877	-	-	1,191,858	12,269,735
Supporting services	7,413,903	-	-	457,880	7,871,783
Food services	-	-	-	618,010	618,010
Community services	17,822	-	-	824,430	842,252
Capital outlay	390,558	-	770,654	197,395	1,358,607
Debt service					
Principal	170,991	2,485,000	-	-	2,655,991
Interest and other expenditures	61,912	949,065	-	-	1,010,977
Bond issuance costs	-	91,994	-	-	91,994
Payment to refunding escrow agent	-	4,465,683	-	-	4,465,683
 Total expenditures	 19,133,063	 7,991,742	 770,654	 3,289,573	 31,185,032
 Excess (deficiency) of revenues over expenditures	 560,292	 (4,956,642)	 (766,113)	 (533,915)	 (5,696,378)

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	Debt Service Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Proceeds form issuance of debt	\$ -	\$ 4,265,000	\$ -	\$ -	\$ 4,265,000
Premium on issuance of debt	-	290,715	-	-	290,715
Proceeds from school bond loan fund	-	352,852	-	-	352,852
Insurance recoveries	476,728	-	-	-	476,728
Transfers in	233,782	-	-	635,048	868,830
Transfers out	(635,048)	-	-	(233,782)	(868,830)
Total other financing sources (uses)	75,462	4,908,567	-	401,266	5,385,295
Net change in fund balance	635,754	(48,075)	(766,113)	(132,649)	(311,083)
Fund balance - beginning	1,197,255	199,652	1,520,328	555,677	3,472,912
Fund balance - ending	<u>\$ 1,833,009</u>	<u>\$ 151,577</u>	<u>\$ 754,215</u>	<u>\$ 423,028</u>	<u>\$ 3,161,829</u>

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - Total governmental funds	\$ (311,083)
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund	
Operating grants	(40,507)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,036,614)
Capital outlay	893,423
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	212,144
Net change in the deferred inflow of resources related to the net pension liability	338,155
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	(426,941)
Expenses are recorded when incurred in the statement of activities.	
Interest	(1,004)
Special termination benefits	(111,850)
Compensated absences	5,477
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Proceeds from issuance of bonds	(4,265,000)
Proceeds from premium on debt	(290,715)
Proceeds from issuance of school bond loan fund debt	(352,852)
Repayments of long-term debt	7,121,674
Amortization of premium and discount	350,033
Amortization of discount	(3,940)
Amortization of deferred amount on refunding	(102,381)
Change in net position of governmental activities	\$ <u>978,019</u>

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	\$ 3,122	\$ 99,673
Due from Clawson Public Schools	<u>-</u>	<u>68,741</u>
Total assets	<u><u>\$ 3,122</u></u>	<u><u>\$ 168,414</u></u>
Liabilities		
Accounts payable	\$ -	\$ 11,131
Due to agency fund activities	<u>-</u>	<u>157,283</u>
Total liabilities	<u>-</u>	<u><u>\$ 168,414</u></u>
Net Position		
Reserved for endowments	-	
Reserved for scholarships and loans	-	
Assets held in trust for scholarships and loans	<u><u>\$ 3,122</u></u>	
Total net position	<u><u>\$ 3,122</u></u>	

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017

	Private Purpose Trust Funds
Additions	
Local sources	\$ <u>656</u>
Deductions	
Scholarships	<u>1,305</u>
Change in net position	(649)
Net position - beginning	<u>3,771</u>
Net position - ending	\$ <u>3,122</u>

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Notes to the Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Clawson Public Schools
Notes to the Financial Statements
June 30, 2017

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

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

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

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Food Service Fund is used to amount for operations of providing meals to students. The Community Education Fund is used to record the operations of the School District's enrichment and child care programs. The Center Program Fund is used to record the special education Center Program. Operating deficits generated by these activities are generally covered by transfers from the General Fund.

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

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

Assets, Liabilities and Equity

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

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

Clawson Public Schools

Notes to the Financial Statements

June 30, 2017

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2017, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.0000
Commercial personal property	6.0000
 Debt Service Funds	 9.0600

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

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

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Deferred amounts on bond refundings are included in the district-wide financial statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

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

Clawson Public Schools
Notes to the Financial Statements
June 30, 2017

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

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

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

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

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

For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

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

Clawson Public Schools

Notes to the Financial Statements

June 30, 2017

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

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

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

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

Upcoming Accounting and Reporting Changes

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

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

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

Clawson Public Schools
Notes to the Financial Statements
June 30, 2017

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

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$27,935,398 as of June 30, 2017. There are no other governmental funds with a deficit.

Clawson Public Schools
Notes to the Financial Statements
June 30, 2017

Note 3 - Deposits And Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 2,450,362	\$ 102,795	\$ 2,553,157

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 2,551,932
Petty cash and cash on hand	1,225
Total	<u>\$ 2,553,157</u>

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

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. As of June 30, 2017, the School District had no investments.

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$ 2,793,981 of the School District's bank balance of \$ 3,043,981 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	5,528,275	468,550	5,528,275	468,550
Total capital assets not being depreciated	5,568,275	468,550	5,528,275	508,550
Capital assets being depreciated				
Buildings and additions	54,745,719	5,778,364	-	60,524,083
Equipment and furniture	7,373,217	137,745	-	7,510,962
Buses and other vehicles	415,234	37,039	415,234	37,039
Total capital assets being depreciated	62,534,170	5,953,148	415,234	68,072,084
Less accumulated depreciation for				
Buildings and additions	25,360,313	1,518,431	-	26,878,744
Equipment and furniture	6,078,334	514,479	-	6,592,813
Buses and other vehicles	415,234	3,704	415,234	3,704
Total accumulated depreciation	31,853,881	2,036,614	415,234	33,475,261
Net capital assets being depreciated	30,680,289	3,916,534	-	34,596,823
Net capital assets	\$ 36,248,564	\$ 4,385,084	\$ 5,528,275	\$ 35,105,373

Depreciation for the fiscal year ended June 30, 2017 amounted to \$2,036,614

Clawson Public Schools
Notes to the Financial Statements
June 30, 2017

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

Governmental activities

Instruction	\$ 1,156,790
Support services	742,151
Food services	58,266
Community education	<u>79,407</u>
Total governmental activities	<u>\$ 2,036,614</u>

Construction Contracts

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

	<u>Total Contract</u>	<u>Remaining Construction Commitment at Year End</u>	<u>Contract Payable at Year End</u>
Various Projects	<u>\$ 1,144,969</u>	<u>\$ 455,498</u>	<u>\$ 207,280</u>

All projects are expected to be complete by June 30, 2018.

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
Non Major funds	General Fund	\$ 324,175
General Fund	Non Major fund	<u>38,778</u>
		<u>\$ 362,953</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In addition the general fund owes the agency fund \$68,741 for student activities.

Note 6 - Leases

Capital Leases

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

Year Ending June 30,	
2018	\$ 27,220
2019	28,514
2020	29,853
2021	<u>18,049</u>
Total minimum lease payments	103,636
Less amount representing interest	<u>(9,024)</u>
Present value of minimum lease payments	<u>\$ 94,612</u>

Clawson Public Schools
Notes to the Financial Statements
June 30, 2017

The assets acquired through capital lease are as follows:

Assets	
Machinery and equipment	\$ 140,107
Less accumulated depreciation	<u>(28,355)</u>
Total	<u>\$ 111,752</u>

Note 7 - Unearned Revenue

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

	<u>Unearned</u>
Auditorium fees collected in advance of events	\$ 3,110
Student balances	30,383
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>25,193</u>
Total	<u>\$ 58,686</u>

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 27,355,000	\$ 4,265,000	\$ 7,010,000	\$ 24,610,000	\$ 2,675,000
School Bond Loan	429,720	352,852	-	782,572	-
Accrued Interest on School Bond Loan Fund	5,871	16,004	-	21,875	-
Unamortized bond premium	1,778,770	290,715	326,426	1,743,059	-
Unamortized bond discount	(19,338)	-	(3,940)	(15,398)	-
Compensated absences and retirement pay	104,565	121,230	6,857	218,938	-
Capital lease	129,627	-	25,991	103,636	-
Retirement incentives	8,000	-	8,000	-	-
Total	<u>\$ 29,792,215</u>	<u>\$ 5,045,801</u>	<u>\$ 7,373,334</u>	<u>\$ 27,464,682</u>	<u>\$ 2,675,000</u>

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

The General obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 151,577 to pay this debt. Future debt and interest will be payable from future tax levies.

Clawson Public Schools
Notes to the Financial Statements
June 30, 2017

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

2009 Building and site bonds payable with original interest at 2.50% to 4.50% and final maturity in 2024	\$ 1,205,000
2011 Technology bonds payable with original interest at 2.00% to 4.00% and final maturity in 2021	1,915,000
2014 Building and Site Bonds payable with original interest at 2.00% to 4.00% and final maturity in 2034	8,665,000
2015 Refunding bonds payable with original interest at 2.00% to 4.00% and final maturity in 2018	1,705,000
2016 Refunding bonds payable with original interest at 4.00% and final maturity in 2024	6,855,000
2017 Refunding bonds payable with original interest at 4.00% and final maturity in 2021	<u>4,265,000</u>
Total general obligation bonded debt	<u>\$ 24,610,000</u>

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

	Principal	Interest	Total
Year Ending June 30,			
2018	\$ 2,675,000	\$ 991,992	\$ 3,666,992
2019	2,730,000	870,674	3,600,674
2020	2,830,000	766,426	3,596,426
2021	2,505,000	640,594	3,145,594
2022	2,605,000	541,400	3,146,400
2023-2027	6,880,000	1,353,276	8,233,276
2028-2032	3,015,000	624,200	3,639,200
2033-2037	<u>1,370,000</u>	<u>109,600</u>	<u>1,479,600</u>
Total	<u>\$ 24,610,000</u>	<u>\$ 5,898,162</u>	<u>\$ 30,508,162</u>

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were \$61,912 and \$949,065 respectively.

State School Bond Loan

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

Clawson Public Schools

Notes to the Financial Statements

June 30, 2017

Compensated Absences

Sick days are earned by most employees at the rate of eleven days per year and are liquidated by the originating fund. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum of ninety days. The estimated contingent liability including employee taxes for these benefits as of June 30, 2017 is \$ 87,258. The liability is measured using the Termination Method.

Accrued vacation at year end, consist of \$ 11,830 of vacation hours earned and vested. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year or liquidated by the originating fund.

Retirement Pay

Retirement benefits at year end, consist of \$ 119,850 of potential retirement payouts. Certain contracts allow for \$100 to be paid per year of service if the staff have worked for the District at least 10 years retire from the District. The liability is measured using an estimate of staff that have over 10 years of service that are expected to retire.

Advanced Refunding

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

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

Defeased Debt

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

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

1998 Issue refunded in 2005	\$ 8,350,000
1998 Issue refunded in 2006	5,745,000
1998 Issue refunded in 2007	4,045,000

Deferred Amount on Debt Refunding

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

Current Refinancing

In 2017, the School District issued general obligation bonds of \$4,265,000 (par value) with an interest rate of 4% to refinance the 2007 Refunding Bonds. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments.

Clawson Public Schools
Notes to the Financial Statements
June 30, 2017

Note 9 - Risk Management

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

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

Note 10 - Pension Plans and Post-Employment Benefits

Plan Description

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

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided

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

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

Contributions and Funding Status

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

Clawson Public Schools
Notes to the Financial Statements
June 30, 2017

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

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0%	18.95%
Pension Plus	3.0 - 6.4%	17.73%
Defined Contribution	0.0%	14.56%

Required contributions to the pension plan from the School District were \$2,799,612 for the year ending September 30, 2016.

Net Pension Liability

June 30, 2017, the School District reported a liability of \$ 31,105,061 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2016, the School District's proportionate share percent was .1247 percent, which was a decrease of .0035 percent since the prior measurement date.

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

For the year ended June 30, 2017, the School District recognized total pension expense of \$2,593,975. The School District's actual contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$1,955,778, \$2,025,672, and \$2,369,531, respectively.

Clawson Public Schools
Notes to the Financial Statements
June 30, 2017

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 387,651	\$ 73,720
Changes in assumptions	486,303	-
Net difference between projected and actual earnings on pension plan investments	516,966	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,189,966
Employer contributions subsequent to the measurement date	<u>2,470,273</u>	<u>947,070</u>
Total	<u>\$ 3,861,193</u>	<u>\$ 2,210,756</u>

\$2,470,273 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, 2018. \$947,070 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2018 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount
2017	\$ (125,775)
2018	(166,385)
2019	425,847
2020	<u>(6,453)</u>
Total	<u>\$ 127,234</u>

Actuarial Assumptions

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

Clawson Public Schools

Notes to the Financial Statements

June 30, 2017

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2015
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

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

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

Clawson Public Schools

Notes to the Financial Statements

June 30, 2017

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the 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)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 40,055,489	\$ 31,105,061	\$ 23,558,989

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

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2016 MPSERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan

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

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

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

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

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

For the periods July 1, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

Clawson Public Schools
Notes to the Financial Statements
June 30, 2017

The School District's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$630,315, \$612,627, and \$381,048, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2017, the School District had contributions in the amount of \$1,299,492 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017.

Note 11 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2017.

Note 12 - Tax Abatements

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

There are no tax abatements affecting the School District.

Note 13 - Subsequent Events

Subsequent to June 30, 2017 the District signed a line of credit for \$1,000,000. There have been no draws on the line of credit at this time. Additionally, subsequent to year end the District signed a lease for a school bus on July 5, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Clawson Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Local sources	\$ 2,602,053	\$ 2,277,585	\$ 2,369,119	\$ 91,534
State sources	14,200,142	15,265,326	15,197,825	(67,501)
Federal sources	717,193	714,270	690,830	(23,440)
Interdistrict sources	2,730,526	1,372,705	1,435,581	62,876
Total revenues	20,249,914	19,629,886	19,693,355	63,469
Expenditures				
Instruction				
Basic programs	8,234,981	8,237,717	8,039,031	(198,686)
Added needs	3,980,338	3,033,220	3,038,846	5,626
Supporting services				
Pupil	1,836,272	1,368,057	1,335,186	(32,871)
Instructional staff	588,690	580,963	450,417	(130,546)
General administration	929,331	714,909	661,617	(53,292)
School administration	1,101,859	1,099,889	1,082,775	(17,114)
Business	425,184	579,577	551,183	(28,394)
Operations and maintenance	1,790,825	1,910,313	1,826,925	(83,388)
Pupil transportation services	660,035	692,237	662,524	(29,713)
Central	399,656	501,792	495,697	(6,095)
Athletic activities	362,686	367,505	347,579	(19,926)
Community services	23,927	27,662	17,822	(9,840)
Intergovernmental payments	683,316	-	-	-
Capital outlay	-	390,578	390,558	(20)
Debt service				
Principal	232,153	172,440	170,991	(1,449)
Interest and fiscal charges	-	62,463	61,912	(551)
Total expenditures	21,249,253	19,739,322	19,133,063	(606,259)

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Excess (deficiency) of revenues over expenditures	\$ (999,339)	\$ (109,436)	\$ 560,292	\$ 669,728
Other Financing Sources (Uses)				
Insurance recoveries	41,000	477,179	476,728	(451)
Proceeds from sale of capital assets	-	67,184	-	(67,184)
Transfers in	259,090	234,109	233,782	(327)
Transfers out	-	(649,200)	(635,048)	14,152
Total other financing sources (uses)	300,090	129,272	75,462	(53,810)
Net change in fund balance	(699,249)	19,836	635,754	615,918
Fund balance - beginning	1,197,255	1,197,255	1,197,255	-
Fund balance - ending	<u>\$ 498,006</u>	<u>\$ 1,217,091</u>	<u>\$ 1,833,009</u>	<u>\$ 615,918</u>

See Accompanying Notes to the Financial Statements

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

	June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Reporting unit's proportion of net pension liability (%)	0.1247%	0.1282%	0.13159%							
Reporting unit's proportionate share of net pension liability	\$31,105,061	\$31,317,205	\$ 28,984,213							
Reporting unit's covered-employee payroll	\$10,375,901	\$10,733,340	\$ 11,243,910							
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	299.78%	291.78%	257.78%							
Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%							

See Accompanying Notes to the Financial Statements

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

	For the Years Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution:	\$ 1,955,778	\$ 2,025,672	\$ 2,369,531							
Contributions in relation to statutorily required contributions	<u>1,955,778</u>	<u>2,025,672</u>	<u>2,369,531</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
Reporting unit's covered-employee payroll	9,408,467	10,159,727	10,859,103							
Contributions as a percentage of covered employee payroll	20.79%	19.94%	21.82%							

Notes:

Benefit changes - There were no changes of benefit terms in 2016-17

Changes in assumptions - There were no changes of benefit assumptions in 2016-17

See Accompanying Notes to the Financial Statements

OTHER SUPPLEMENTARY INFORMATION

Clawson Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds			Capital Projects Funds	Total Nonmajor Governmental Funds
	Food Service	Community Education	Center Program	2011 Technology Bond	
Assets					
Cash	\$ 50,103	\$ 500	\$ -	\$ 240,211	\$ 290,814
Accounts receivable	-	24,697	-	-	24,697
Due from other funds	-	52,202	185,044	86,929	324,175
Due from other governmental units	21,930	852	-	-	22,782
Inventory	23,194	-	-	-	23,194
Prepaid items	-	350	612	-	962
Total assets	<u>\$ 95,227</u>	<u>\$ 78,601</u>	<u>\$ 185,656</u>	<u>\$ 327,140</u>	<u>\$ 686,624</u>
Liabilities					
Accounts payable	\$ 9,807	\$ 41,753	\$ 2,997	\$ -	\$ 54,557
Due to other funds	38,778	-	-	-	38,778
Due to other governmental units	3,652	-	18,134	-	21,786
Payroll deductions and withholdings	1,346	135	23,695	-	25,176
Accrued expenditures	-	-	20,313	-	20,313
Accrued salaries payable	2,692	90	74,871	-	77,653
Unearned revenue	7,352	17,981	-	-	25,333
Total liabilities	<u>63,627</u>	<u>59,959</u>	<u>140,010</u>	<u>-</u>	<u>263,596</u>
Fund Balance					
Non-spendable					
Inventory	23,194	-	-	-	23,194
Prepaid items	-	350	612	-	962
Restricted for					
Food service	8,406	-	-	-	8,406
Capital projects	-	-	-	327,140	327,140
Assigned for					
Community education	-	18,292	-	-	18,292
Unassigned	-	-	45,034	-	45,034
Total fund balance	<u>31,600</u>	<u>18,642</u>	<u>45,646</u>	<u>327,140</u>	<u>423,028</u>
Total liabilities and fund balance	<u>\$ 95,227</u>	<u>\$ 78,601</u>	<u>\$ 185,656</u>	<u>\$ 327,140</u>	<u>\$ 686,624</u>

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue Funds			Capital Projects Funds	Total Nonmajor Governmental Funds
	Food Service	Community Education	Center Program	2011 Technology Bond	
Revenues					
Local sources	\$ 268,899	\$ 892,263	\$ 1,896	\$ 313	\$ 1,163,371
State sources	28,180	-	-	-	28,180
Federal sources	322,708	-	-	-	322,708
Interdistrict sources	-	-	1,241,399	-	1,241,399
Total revenues	619,787	892,263	1,243,295	313	2,755,658
Expenditures					
Current					
Education					
Instruction	-	-	1,191,858	-	1,191,858
Supporting services	-	-	457,880	-	457,880
Food services	618,010	-	-	-	618,010
Community services	-	824,430	-	-	824,430
Capital outlay	-	-	-	197,395	197,395
Total expenditures	618,010	824,430	1,649,738	197,395	3,289,573
Excess (deficiency) of revenues over expenditures	1,777	67,833	(406,443)	(197,082)	(533,915)

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue Funds			Capital Projects Funds	Total Nonmajor Governmental Funds
	Food Service	Community Education	Center Program	2011 Technology Bond	
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ 635,048	\$ -	\$ 635,048
Transfers out	-	(50,823)	(182,959)	-	(233,782)
Total other financing sources (uses)	-	(50,823)	452,089	-	401,266
Net change in fund balance	1,777	17,010	45,646	(197,082)	(132,649)
Fund balance - beginning	29,823	1,632	-	524,222	555,677
Fund balance - ending	<u>\$ 31,600</u>	<u>\$ 18,642</u>	<u>\$ 45,646</u>	<u>\$ 327,140</u>	<u>\$ 423,028</u>

See Accompanying Notes to the Financial Statements

Clawson Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2017

Year Ending June 30,	2009 Building and Site	2011 School Technology	2014 Building and Site	2015 Refunding	2016 Refunding	2017 Refunding	Total
2018	\$ 150,000	\$ 480,000	\$ 340,000	\$ 1,705,000	\$ -	\$ -	\$ 2,675,000
2019	160,000	475,000	355,000	-	-	1,740,000	2,730,000
2020	165,000	475,000	365,000	-	-	1,825,000	2,830,000
2021	170,000	485,000	390,000	-	760,000	700,000	2,505,000
2022	180,000	-	405,000	-	2,020,000	-	2,605,000
2023	185,000	-	425,000	-	2,050,000	-	2,660,000
2024	195,000	-	440,000	-	2,025,000	-	2,660,000
2025	-	-	500,000	-	-	-	500,000
2026	-	-	520,000	-	-	-	520,000
2027	-	-	540,000	-	-	-	540,000
2028	-	-	560,000	-	-	-	560,000
2029	-	-	580,000	-	-	-	580,000
2030	-	-	600,000	-	-	-	600,000
2031	-	-	-	-	-	-	-
2032	-	-	1,275,000	-	-	-	1,275,000
2033	-	-	-	-	-	-	-
2034	-	-	1,370,000	-	-	-	1,370,000
Total	<u>\$ 1,205,000</u>	<u>\$ 1,915,000</u>	<u>\$ 8,665,000</u>	<u>\$ 1,705,000</u>	<u>\$ 6,855,000</u>	<u>\$ 4,265,000</u>	<u>\$ 24,610,000</u>
Principal payments due the first day of	May	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	
Interest rate	2.50% - 4.50%	2.00% - 4.00%	2.00% - 4.00%	2.00% - 4.00%	4.00%	4.00%	
Original issue	<u>\$ 2,265,000</u>	<u>\$ 4,145,000</u>	<u>\$ 9,300,000</u>	<u>\$ 4,805,000</u>	<u>\$ 7,600,000</u>	<u>\$ 4,265,000</u>	

See Accompanying Notes to the Financial Statements

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By Gloria Suggitt at 9:06 am, Oct 18, 2017

Clawson Public Schools

Single Audit Report

June 30, 2017



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clawson Public Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Clawson Public Schools' basic financial statements, and have issued our report thereon dated October 5, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Flint, MI

October 5, 2017

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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited Clawson Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Clawson Public Schools' major federal programs for the year ended June 30, 2017. Clawson Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Clawson Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clawson Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Clawson Public Schools' basic financial statements. We issued our report thereon dated October 5, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Flint, MI
October 5, 2017

Clawson Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Award Number	Approved Grant Amount	Accrued (Unearned) Revenue at July 1, 2016	Prior Expenditures	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2017
U.S. Department of Agricultural Child Nutrition Cluster									
Passed through Michigan Department of Education									
Non-Cash Assistance (Commodities)									
National School Lunch Program (Entitlements)	10.555	N/A	\$ 45,574	\$ -	\$ -	\$ 45,574	\$ 45,574	\$ -	\$ -
Cash Assistance									
School Breakfast Program	10.553	161970	34,912	2,426	31,186	3,726	6,152	-	-
School Breakfast Program	10.553	171970	32,910	-	-	32,910	30,755	-	2,155
Total School Breakfast Program				2,426	31,186	36,636	32,525	-	2,155
National School Lunch Program	10.555	161960	230,972	14,102	206,773	24,199	38,301	-	-
National School Lunch Program	10.555	171960	202,402	-	-	202,402	189,738	-	12,664
Total National School Lunch Program				14,102	206,773	226,601	223,663	-	12,664
Total Cash Assistance				16,528	237,959	263,237	256,188	-	14,819
Total Nutrition Cluster				16,528	237,959	308,811	301,762	-	14,819
Child and Adult Care Food Program	10.558	161920	1,147	1,122	-	1,147	2,269	-	-
Child and Adult Care Food Program	10.558	171920	26,661	-	14,820	11,841	9,847	-	1,994
Total Child and Adult Care Food Program				1,122	14,820	12,988	12,116	-	1,994
Child and Adult Care Food Program - Cash in Lieu	10.558	162010	78	72	-	78	150	-	-
Child and Adult Care Food Program - Cash in Lieu	10.558	172010	1,680	-	849	831	687	-	144
Total Child and Adult Care Food Program - Cash in Lieu				72	849	909	837	-	144
Total Child and Adult Care Food Program				1,194	15,669	13,897	16,946	-	2,138
Total U.S. Department of Agricultural				17,722	253,628	322,708	318,708	-	16,957

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Clawson Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Award Number	Approved Grant Amount	Accrued (Unearned) Revenue at July 1, 2016	Prior Expenditures	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2017
U.S. Department of Education									
Special Education Cluster									
Passed through the Oakland Intermediate School District									
Special Education - Grants to States	84.027	150450	\$ 513,750	\$ 4,355	\$ 509,395	\$ -	\$ 4,355	\$ -	\$ -
Special Education - Grants to States	84.027	160450	510,190	203,541	506,781	3,410	203,541	-	3,410
Special Education - Grants to States	84.027	170450	530,546	-	-	523,925	251,322	-	272,603
Total Special Education - Grants to States				207,896	1,016,176	527,335	459,218	-	276,013
Special Education - Preschool Grants	84.173	160460	15,813	-	15,813	-	-	-	-
Special Education - Preschool Grants	84.173	170460	20,084	-	-	20,084	5,098	-	14,986
Total Special Education - Preschool Grants				-	15,813	20,084	5,098	-	14,986
Total Special Education Cluster				207,896	1,031,989	547,419	464,316	-	290,999
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	161530	91,388	43,924	87,676	-	43,924	-	-
Title I Grants to Local Educational Agencies	84.010	171530	92,711	-	-	91,395	59,596	-	31,799
Total Title I Grants to Local Educational Agencies				43,924	87,676	91,395	103,520	-	31,799
Passed through the Michigan Department of Education									
Improving Teacher Quality State Grants	84.367	160520	58,244	31,772	48,269	-	31,772	-	-
Improving Teacher Quality State Grants	84.367	170520	44,556	-	-	25,910	14,176	-	11,734
Total Improving Teacher Quality State Grants				31,772	48,269	25,910	45,948	-	11,734
Passed through the Michigan Department of Education									
English Language Acquisition State Grants	84.365	170580	12,046	-	-	11,569	10,325	-	1,244
Passed through Royal Oak School District									
English Language Acquisition State Grants	84.365	160580	20,584	4,136	9,982	1,608	11,396	5,652	-
Total U.S. Department of Education				287,728	1,177,916	677,901	635,505	5,652	335,776
U.S. Department of Health and Human Services									
Passed through Oakland Intermediate School District									
Medical Assistance Program	93.778	N/A	3,142	-	-	3,142	3,142	-	-
Total Federal Awards				\$ 305,450	\$ 1,431,544	\$ 1,003,751	\$ 957,355	\$ 5,652	\$ 352,733

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Clawson Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Clawson Public Schools under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Clawson Public Schools, it is not intended to and does not present the financial position or changes in fund balances of Clawson Public Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

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

Note 3 - Reconciliation to the Financial Statements

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

Expenses per SEFA		\$	1,003,751
Additional amounts received in the current year relating to a prior period			
English Language Acquisition State Grants	160580		5,652
Amounts reported on the prior year SEFA that did not meet the Districts's revenue recognition requirements and were therefore deferred in the fund statements:			
English Language Acquisition State Grants	160580		<u>4,136</u>
Total revenues reported on the District's fund statements		\$	<u><u>1,013,539</u></u>

Clawson Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2017

Note 4 - Other Reconciliations

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

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

These grants were paid by June 30, 2017 per the GAR but not received by the District until after year end:

Differences from GAR to actual collection of receipts.	Grant	Reported on GAR	Reported on SEFA	Difference
Child Care Food Program	171920	11,427	9,847	1,580
Child Care Food Program	172010	801	687	114

These grants were paid by June 30, 2016 per the GAR in the previous year and received after year end:

Differences from GAR to actual collection of receipts.	Grant	Reported on GAR	Reported on SEFA	Difference
School Breakfast Program	161970	\$ 3,726	\$ 6,152	\$ (2,426)
National School Lunch Program	161960	24,199	38,301	(14,102)
Child Care Food Program	161920	1,147	2,269	(1,122)
Child Care Food Program	162010	78	150	(72)

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

Note 5 - Funds Transferred to Subrecipients

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

Note 6 - Adjustments on the SEFA

There were adjustments of \$5,652 for additional funds received in the current year for English Language Acquisition State Grants.

Clawson Public Schools
Schedule of Findings and Questioned Costs
June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

_____ Yes X No

Clawson Public Schools
Schedule of Findings and Questioned Costs
June 30, 2017

Identification of major programs:

CFDA Numbers

84.027/84.173

Name of Federal Program

Special Education Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee:

_____ Yes X No

Section II - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2017.

Section III - Federal Award Findings and Questioned Costs

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

Clawson Public Schools
Summary Schedule of Prior Audit Findings
June 30, 2017

Section IV - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2016.

Section V - Federal Award Findings and Questioned Costs

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2016.

October 5, 2017

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

We have completed our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clawson Public Schools as of and for the year ended June 30, 2017, and have issued our report dated October 5, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 16, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted Government Accounting Standards Board Statement (GASB) No. 77, *Tax Abatement Disclosures*, effective July 1, 2016. The Statement requires disclosures of tax abatement information. We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

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

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

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

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

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

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

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

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

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

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

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

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

Regulatory and Other Updates

Cybersecurity Posture

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

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

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

Implementation of Federal Grant Procurement Standards is Delayed

In May 2017, the federal government granted an additional one-year delay for implementation of the procurement standards under the Uniform Guidance. The grace period now extends through December 25, 2017. Therefore, entities with fiscal years beginning on or after December 26, 2017 must have procurement standards, for federal expenditures, that meet the more stringent requirements of 2 CFR 200.317 to 326. For school districts, it will apply to fiscal year 2019 and therefore, must be in place starting July 1, 2018. If your School District did not previously adopt and implement procurement policies and procedures in accordance with 2 CFR 200, you should go through the appropriate channels to elect and document usage of the additional grace period year. The grace period decision and documentation should go through the same process as the adoptions of procurement policies. It is imperative that your procurement policies – whatever they are documented as – be followed. The Uniform Guidance and the old guidance in the OMB Circulars provide minimum requirements that must be covered by an entity's procurement policies. If an entity's policies are stricter than the federal rules, the entity policies still must be followed. As you adopt new procurement policies, we also recommend that you consider separate policies for federal and non-federal expenditures to ease the administrative burden of certain federal requirements.

Fiscal Year (FY) 2018 School Aid

The School Aid budget for FY 2018 was not signed until late July. Following are some significant highlights of the bill:

- The per pupil Foundation Grants for FY 2018 will increase by a range of \$60 to \$120 using the "2X formula." The increase will be added to the FY 2017 foundation grant resulting in the lowest foundation for FY 2018 being \$7,631 and the maximum state guaranteed foundation being \$8,289.
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.

- The Section 31a At-Risk funding is increased by \$120,011,800 to \$499,000,000. Eligibility is expanded from free lunch eligible pupils to include pupils eligible for reduced price lunch, TANF, SNAP, or migrant, homeless, or pupils in foster care. Hold Harmless and Out of Formula districts are now eligible, but will be capped at 30% of the per pupil allowance. Districts that are currently eligible would receive approximately \$777 per pupil and newly eligible districts would receive approximately \$233 per pupil.
- The per pupil funding under Sections 20f(2) and 20f(4) will be equal to the per pupil funding under those Sections in 2016-17.
- Section 147c is reduced by approximately \$22.0 million to reflect higher rates of return on investments.
- ISD General Operation funding under Section 81 will remain at \$67.1 million.
- Shared Time Instruction for Nonpublic and Homeschool Pupils Section 23f caps the maximum FTE for which a nonpublic school pupil may be counted in a shared-time program at 0.75 FTE per pupil.

Boilerplate changes include:

- A New Section 160 has been added which requires districts seeking a waiver to begin the school year before Labor Day to hold a public hearing with the MDE in the district before the waiver can be granted.
- A New Section 164g has been added which imposes a penalty on any district using State Aid funds to pay expenses related to legal action against the state.
- A New Section 164h has been added to state that there will be a state school aid penalty for a district or ISD that enters into a collective bargaining agreement that fails to comply with requirements including prohibitions on the automatic deduction of union dues from payroll and racial or religious preferences in hiring.

Early Warning

Pursuant to Public Act 109 of 2015, each school district and public school academy that has a General Fund balance less than 5% of total unrestricted general revenue for either of the 2014-2015 or 2015-2016 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI). The budget assumption data collection period begins June 1, 2017 and is open through July 7, 2017. The Department of Treasury will not declare potential fiscal stress based solely on a school district's or public school academy's budget assumption data.

Uniform Budgeting and Accounting Act (UBAA)

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

Unclaimed Property

Beginning in 2018, the State of Michigan will require the filing of zero balance reports for businesses and governmental agencies who hold property on behalf of others, such as uncashed payroll or vendor checks and other items comprising unclaimed property. This is a revision from the most recent change in 2012, which only encouraged, but did not require, reporting of zero unclaimed property situations. Under the negative attestation requirement, businesses and governmental agencies must ensure they are filing even in situations where entities have no unclaimed property.

Current rules require unclaimed property to be identified as of March 31st of each year and reported to the State on or before July 1. Property that has reached its applicable dormancy period (generally one year or three years) as of March 31 must be remitted with and reported on Michigan State Form 2011, *Michigan Holder Transmittal for Annual Report of Unclaimed Property* and the appropriate annual reporting form (there are separate forms for cash & safe deposit boxes and for securities). If the holder (business or government entity) has more than ten items to report, they must use electronic media for the annual report. The due date for this filing is July 1 (or the next work day if the 1st is on a weekend).

These rules remain unchanged, except that beginning in 2018, the negative attestation requirement will go into effect. Free software is available on the State of Michigan web site at <http://www.michigan.gov/treasury/>. The web site is a valuable resource for information regarding the law, filing requirements and related penalties, including the 33 page *Manual for Reporting Unclaimed Property*.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

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

Management Representations

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

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

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

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's contributions, and budgetary comparison information, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Report on Other Supplementary Information

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Restriction on Use

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

Yeo & Yeo, P.C.

Flint, Michigan