

**Clio Area Schools**

**Clio, Michigan**

**Annual Financial Statements  
and  
Independent Auditors' Report**

**June 30, 2014**

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**Clio Area Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2014**

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Members of the Board of Education

Mary Ann Dipzinski	President
Eric Wood	Vice President
Steve Nordstrom	Secretary
Robert Gaffney	Treasurer
Jeff Drayton	Trustee
Henry Hatter	Trustee
Tim Ranville	Trustee

Administration

Fletcher Spears III	Superintendent
Stephen Keskes	Executive Director of Curriculum and Instruction
Jon Pechette	Executive Director of Finance
Colleen Mansour	Executive Director of Personnel

## **Independent Auditors' Report**

To the Board of Education  
Clio Area Schools  
Clio, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clio Area Schools, as of and for the year ended June 30, 2014, 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 Clio Area Schools, as of June 30, 2014, 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 and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clio Area Schools' basic financial statements. The list of the Members of the Board of Education and Administration and other supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are 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.

The list of the Members of the Board of Education and Administration has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of Clio Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clio Area Schools' internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Flint, Michigan  
November 6, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS



# *Clio Area Schools*

*We Are Family*



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## **Management's Discussion and Analysis For the Year Ended June 30, 2014**

The Clio Area School District has chosen to implement the provisions of Governmental Accounting Standards Board *Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, (GASB 34) with the enclosed financial statements. Our discussion and analysis of Clio Area Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2014.

GASB 34 and generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: fund financial statements and district-wide financial statements.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds – not the School District as a whole. The fund-level financial statements are reported on a modified accrual basis. That is, only those assets that are "measurable" and "currently available" are reported, and liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. The School District has two kinds of funds:

*Governmental Funds:* All of the School District's basic services are provided in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations from the fund level statements to the district-wide statements explain the relationship (or differences) between them. The School District's governmental funds include the General Fund, Cafeteria Special Revenue Fund, and Capital Projects Fund.

- *Agency Funds:* The School District is the custodian for assets that belong to others in the student activities agency fund. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

### **District-wide Financial Statements**

The District-wide Statement of Net Position and Statement of Activities are reported using the full accrual basis of accounting. With this method, all of the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and current year revenues and expenditures are reported, regardless of when cash is received or paid. These statements provide information about the activities of the School District as a whole, and present a long-term view of the School District's finances. For example, the Statement of Activities details how the School District's services were financed in the short-term and the amount that remains for future spending. The Statement of Net Position aggregates the School District's restricted and unrestricted assets as well as short and long-term obligations recorded in all funds.

### **Financial Position and Results of Operations**

The School District's net position – the difference between assets plus deferred inflows and liabilities plus deferred outflows, as reported in the Statement of Net Position, is 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, is one indicator of whether its financial health is improving or deteriorating, respectively. The relationship between revenues and expenses indicates the School District's operating results. To assess the School District's overall health, it is important to consider additional non-financial factors such as the quality of educational services provided, the condition of school buildings and facilities, the safety of the schools, and other non-financial factors.

## Summary of Net Position

The School District's net position totaled \$ 14,273,954 at June 30, 2013. Of this amount, \$ 3,609,668 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use this net position for day-to-day operations. The following is a summary of the School District's net position at June 30, 2014:

	<u>June 30, 2014</u>
<b>Assets</b>	
Current assets	\$ 10,364,400
Capital assets, net of depreciation	<u>9,192,348</u>
<b>Total assets</b>	<b><u>\$ 19,556,748</u></b>
<b>Liabilities</b>	
Current liabilities	\$ 6,195,969
Long-term liabilities	<u>130,987</u>
<b>Total liabilities</b>	<b><u>6,326,956</u></b>
<b>Net Position</b>	
Net investment in capital assets	9,192,348
Restricted for capital projects	932,511
Restricted for food service	385,256
Unrestricted	<u>2,719,677</u>
<b>Total net position</b>	<b><u>13,229,792</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 19,556,748</u></b>

## Analysis of Financial Position

During fiscal year ended June 30, 2014, the School District's net position decreased by \$ 1,044,162. A few of the significant factors affecting net position during the year are discussed below:

### A. Governmental Fund Operations

In the School District's governmental funds, expenditures exceeded revenues by \$ 233,272 for the fiscal year ended June 30, 2014. See the section entitled Major Governmental Funds Budgeting and Operating Highlights below for further discussion of governmental fund operations.

**B. Depreciation Expense**

The provisions of GASB 34 require the School District to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net position. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2014, the depreciation expense was \$ 895,475.

**C. Capital Acquisitions**

Additions to capital outlay for the year ended June 30, 2014, totaled \$ 6,871. Capital outlay was offset by current year depreciation expense of \$ 895,475, creating a net position decrease from capital outlays of \$ 888,604.

**D. Claims and Judgments**

Benefit claims of \$ 583,000 are shown on the district-wide statements that were not expended on the fund statements as they were not due and payable in the current period.

## Results of Operations

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the district-wide results of operations for the year ended June 30, 2014 is as follows:

### Revenue

General revenue:	
Property taxes, levied for general purposes	\$ 2,357,845
Property taxes, levied for capital projects	855,105
State of Michigan aid, unrestricted	20,770,498
Interest and investment earnings	220
Other general revenue	<u>230,473</u>
Total general revenue	<u>24,214,141</u>
Program revenue:	
Charges for services	1,254,232
Operating grants and contributions	<u>5,040,718</u>
<b>Total revenue</b>	<b><u>30,509,091</u></b>
<b>Expenses</b>	
Instruction	18,657,809
Supporting services	11,267,836
Food services	1,241,414
Community service	<u>386,194</u>
<b>Total expenses</b>	<b><u>31,553,253</u></b>
<b>Change in net position</b>	<b>(1,044,162)</b>
<b>Net position – July 1, 2013</b>	<b><u>14,273,954</u></b>
<b>Net position – June 30, 2014</b>	<b><u>\$ 13,229,792</u></b>

## **Governmental Funds Financial Highlights**

The General Fund is reported separately as a major fund in the fund financial statements. Funds reported as “Nonmajor Governmental Funds” in the fund financial statements include the Cafeteria Fund and Capital Project Fund. The annual fund financial statements provide the following insights about the results of this year’s operations:

### **A. General Fund**

The General Fund experienced a decrease in fund equity of \$ 967,705, or 25.3%, during the year ended June 30, 2014. Ending fund equity in the General Fund was \$ 2,850,664 on June 30, 2014, which equates to 9.6% of expenditures for the year. This level was down from \$ 3,818,369 on June 30, 2013.

### **B. Nonmajor Governmental Funds**

Nonmajor governmental funds experienced an increase in fund equity of \$ 734,433 during the year. The Cafeteria Special Revenue Fund balance increased from the prior year. Revenues exceeded expenditures by \$ 67,153, resulting in ending fund equity of \$385,256, or 31.7% of expenditures for the year. Capital Projects funds experienced an increase in fund equity of \$ 667,280, resulting in ending fund equity of \$ 932,511.

## **Major Governmental Funds Budgeting and Operating Highlights**

The School District’s budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, based on facts and assumptions known at the time of the initial budget preparation. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment figures and resultant staffing requirements, staffing changes that take place during the year, state school aid adjustments, grant allocations, and other unforeseen items. As a matter of practice, the School District amends its budget three times during the fiscal year to adjust for these changes. The School District prepares budgets for the General Fund, Cafeteria Special Revenue Fund, and Capital Projects Fund.

### **A. General Fund**

In the General Fund, actual revenue was \$ 28.85 million. This is below the original budget estimate of \$ 29.33 million and above the final budgeted amount of \$ 28.77 million, a variance of \$74,792 or .3%. The actual expenditures of the General Fund were \$ 29.81 million. This is above the original budget estimate of \$ 29.31 million and below the final budgeted amount of \$ 29.90 million, a variance of \$ 86,600, or 0.3%.

The variances between the actual revenues and the original and final amended budgets in the General Fund are due primarily to the following:

- Decreased revenue from fees and services.
- Decrease in expected revenue from local property taxes.
- Decrease in revenue from state grant sources.
- Increase in revenue from federal sources.
- Increase in revenue from inter district sources.

The variances between the actual General Fund expenditures and the original and final expenditure budgets include the following:

- Employee salary and benefit adjustments.
- Adjustments for federal and state grant expenditures.
- Decreased fuel expenses.
- Lower than expected utilities costs.
- Timing differences related to major maintenance projects.

The General fund expenditures exceeded revenues by \$ 967,705 for the year ended June 30, 2014, which resulted in a 25.3% decrease in fund equity. The ending fund equity in the General Fund was \$ 2,850,664 at June 30, 2014, which equates to 9.6% of expenditures for the year. This level was down from \$ 3,818,369 June 30, 2013.

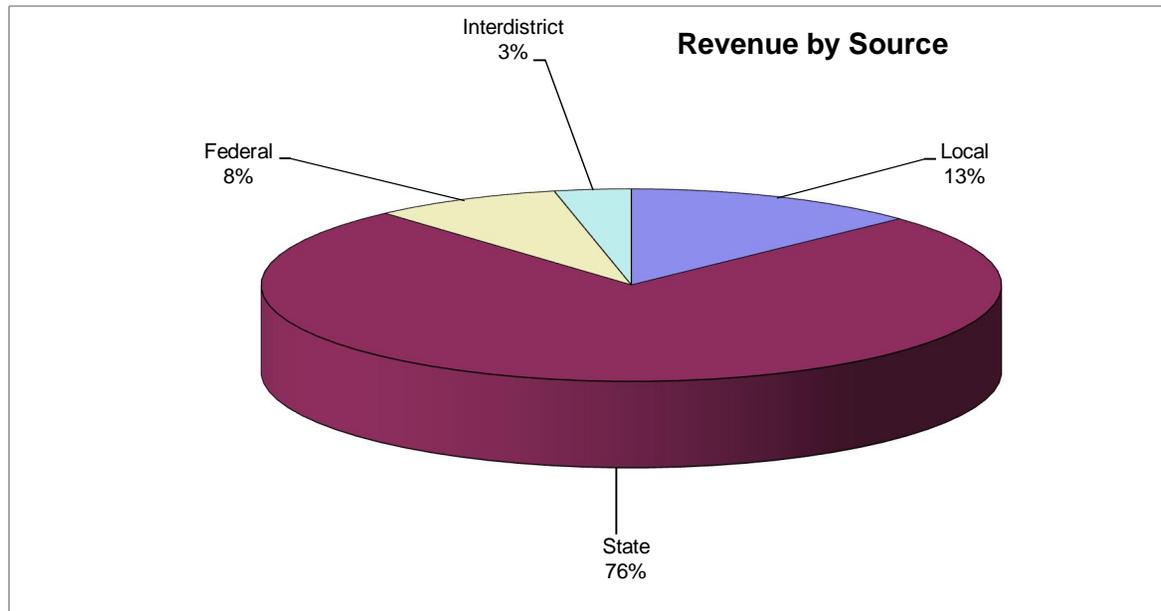
**B. Capital Projects Funds**

The Capital Projects Funds receive revenues from property taxes and investment income. Expenditures take the form of capital improvement projects for major repairs and improvements to the School District's facilities. The School District's Capital Projects Funds is comprised of the Sinking Fund that was passed in 2001 and reauthorized May 4, 2010.

During the year, the Capital Projects funds realized \$914,601 in revenues and \$ 247,321 in expenditures, resulting in a net increase in fund equity of \$ 667,280, for total fund equity of \$ 932,511.

## Governmental Fund Revenues

Revenues for all governmental funds totaled \$ 31.0 million for 2013/2014. The following graph illustrates the School District's revenues by source as a percentage of total revenue:



### A. Unrestricted State Aid

The School District is predominantly funded by State Aid. Unrestricted state aid is determined by the following three variables: (1) State of Michigan student foundation allowance; (2) student enrollment for the year, blended at 90 percent of the current year's fall student count and 10 percent of the previous year's winter student count; and (3) the School District's non-homestead property tax levy.

Annually, the State of Michigan establishes the per student foundation allowance. For the year ended June 30, 2014, the foundation allowance for Clio Area Schools was established at \$ 7,026, an increase of \$60 per student from the 2012/2013 foundation allowance.

Student enrollment for state aid for the 2013/2014 year was 3,286, a decrease of 206 full time equated students from 2012/2013.

The following schedule summarizes the School District's blended student enrollment in full-time equivalencies and per student Foundation Allowance for the current year and the previous nine years:

<u>Year</u>	<u>Student Enrollment</u>	<u>Change from Prior Year</u>	<u>Foundation Allowance</u>	<u>Change from Prior Year</u>
2013/2014	3,286	(206)	\$7,026	\$60
2012/2013	3,492	(153)	6,966	120
2011/2012	3,645	(18)	6,846	(470)
2010/2011	3,663	216***	7,316**	-0-
2009/2010	3,447	8	7,316*	-0-
2008/2009	3,439	(60)	7,316	112
2007/2008	3,499	(83)	7,204	119
2006/2007	3,582	46	7,085	210
2005/2006	3,536	(27)	6,875	175
2004/2005	3,563	(27)	6,700	-0-
2003/2004	3,590	21	6,700	-0-

\*The district realized a \$154 proration in 2009/2010

\*\*The district realized a \$170 proration in 2010/2011

\*\*\*The district started a Global Academy in the spring of 2010 that significantly increased student enrollment

**B. Property Taxes**

The School District is authorized to levy up to 18 mills of property taxes on all non-homestead property located within the School District for General Fund operations. The levy is assessed on the Taxable Value of the property. The increase in taxable value is limited to the lesser of the inflation rate or 5%. When a property is sold, the Taxable Valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The School District levied 18.0000 mills for operations during the 2013/2014 and property tax revenue was \$ 2.36 million.

The School District's sinking funds are used for the repairs and replacement of buildings and sites. In 2010, the School District's voters reauthorized a 2.0 mill ten-year levy. The School District levied 2.0000 mills for the sinking fund during the 2013/2014 year and property tax revenue was \$ .86 million.

#### Governmental Fund Expenditures

The following chart illustrates that the General Fund comprises 95.3% of all expenditures within the governmental funds of the School District. As of June 30, 2014, expenditures and other financing uses totaled \$ 31.27 million for all School District programs. The ending fund equity for all funds was \$4.17 million.

	Expenditures & Other Uses (In millions)	Percent of Total
General Fund	\$ 29.81	95.3%
Other Governmental Funds	<u>1.46</u>	<u>4.7%</u>
Total	<u>\$ 31.27</u>	100.0%

#### Capital Asset and Debt Administration

##### A. Capital Assets

At June 30, 2014, the School District had \$ 23.79 million invested in land and buildings, furniture and equipment, buses and other vehicles, and construction in progress. Of this amount, \$ 14.60 million has been depreciated, which resulted in a net book value of \$ 9.19 million. The majority of the buildings were constructed in the 1950's and 1960's. The School District is committed to timely repairs and maintenance of its facilities. Computer purchases fall below the School District's capitalization threshold of \$ 5,000 and are expensed accordingly.

#### Capital Assets at June 30, 2014

	Amount (In millions)
Land, buildings and additions	\$ 19.50
Equipment and furniture	2.25
Buses and other vehicles	<u>2.04</u>
Total	\$ 23.79
Less accumulated depreciation	<u>(14.60)</u>
Net capital assets	<u>\$ 9.19</u>

**B. Long-Term Debt**

At June 30, 2014, the School District had no outstanding bonded debt.

For more detailed information regarding capital assets and debt administration, please review the Notes to Financial Statements located in the financial section of this report.

**Conditions that will Significantly Affect Financial Position and Results of Operations in Future Years**

On May 4, 2010, the voters of the School District reauthorized a 2.0 mills sinking fund millage for a period of ten years. The total revenue to be generated will be approximately \$ 9.2 million dollars, down from an initial projection of \$10.2 million dollars. The reduction in anticipated revenue is a result of the loss of tax base due to depressed property values. The funds generated from this levy are necessary to keep facilities in good repair and to enable the district to use more general fund monies for operations. The district also passed a restoration of the 18.0 mill non-homestead millage rate in the spring of 2007 which permits the district to collect the full levied millage. District voters will be asked to renew that millage rate during next year. The State of Michigan continues to experience high unemployment which has had a negative impact on student enrollment in Genesee County. Increases in retirement rates, per pupil funding proration's, reductions in per pupil funding, and increases in health care, fuel and utility rates will also have an impact on the district's financial stability.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the School District's finances. If you have questions about this report or need additional information, contact Jon Pechette, CPA, Executive Director of Finance, Clio Area Schools, 430 N. Mill Street, Clio, Michigan, 48420 or by telephone at 810-591-0500.

## BASIC FINANCIAL STATEMENTS

**Clio Area Schools**  
**Statement of Net Position**  
**June 30, 2014**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 4,958,353
Accounts receivable	932,379
Due from other governmental units	4,275,147
Due from agency fund activities	2,566
Inventory	60,955
Prepaid items	135,000
Capital assets not being depreciated	90,000
Capital assets - net of accumulated depreciation	<u>9,102,348</u>
 Total assets	 <u>19,556,748</u>

See Accompanying Notes to Financial Statements

**Clio Area Schools**  
**Statement of Net Position**  
**June 30, 2014**

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	<u>Governmental Activities</u>
<b>Liabilities</b>	
Accounts payable	\$ 601,842
State aid anticipation note payable	3,000,000
Due to other governmental units	260,071
Accrued salaries payable	2,079,489
Unearned revenue	254,567
Noncurrent liabilities	
Due in more than one year	<u>130,987</u>
 Total liabilities	 <u>6,326,956</u>
 <b>Net Position</b>	
Net investment in capital assets	9,192,348
Restricted for:	
Food service	385,256
Capital projects	932,511
Unrestricted	<u>2,719,677</u>
 Total net position	 <u>\$ 13,229,792</u>

See Accompanying Notes to Financial Statements

**Clio Area Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 18,657,809	\$ 2,643	\$ 3,779,930	\$ (14,875,236)
Supporting services	11,267,836	841,419	288,564	(10,137,853)
Food services	1,241,414	318,392	964,028	41,006
Community services	386,194	91,778	8,196	(286,220)
Total governmental activities	\$ 31,553,253	\$ 1,254,232	\$ 5,040,718	(25,258,303)
General revenues				
Property taxes, levied for general purposes			2,357,845	
Property taxes, levied for sinking fund			855,105	
State aid - unrestricted			20,770,498	
Interest and investment earnings			220	
Other			230,473	
Total general revenues			24,214,141	
Change in net position				(1,044,162)
Net position - beginning				14,273,954
Net position - ending				\$ 13,229,792

See Accompanying Notes to Financial Statements

**Clio Area Schools  
Governmental Funds  
Balance Sheet  
June 30, 2014**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash	\$ 3,687,901	\$ 1,270,452	\$ 4,958,353
Accounts receivable	932,379	-	932,379
Due from other funds	76,423	41,402	117,825
Due from other governmental units	4,268,219	6,928	4,275,147
Due from agency fund activities	2,566	-	2,566
Inventory	36,808	24,147	60,955
Prepaid items	-	135,000	135,000
	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total assets	<u><u>\$ 9,004,296</u></u>	<u><u>\$ 1,477,929</u></u>	<u><u>\$ 10,482,225</u></u>

See Accompanying Notes to Financial Statements

**Clio Area Schools  
Governmental Funds  
Balance Sheet  
June 30, 2014**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Liabilities</b>			
Liabilities			
Accounts payable	\$ 518,103	\$ 83,739	\$ 601,842
State aid anticipation note payable	3,000,000	-	3,000,000
Due to other funds	41,402	76,423	117,825
Due to other governmental units	260,071	-	260,071
Accrued salaries payable	2,079,489	-	2,079,489
Unearned revenue	254,567	-	254,567
	<u>6,153,632</u>	<u>160,162</u>	<u>6,313,794</u>
<b>Fund Balance</b>			
Non-spendable			
Inventory	36,808	24,147	60,955
Prepaid items	-	135,000	135,000
Restricted for food service	-	226,109	226,109
Restricted for capital projects	-	932,511	932,511
Unassigned	2,813,856	-	2,813,856
	<u>2,850,664</u>	<u>1,317,767</u>	<u>4,168,431</u>
Total fund balance	<u>2,850,664</u>	<u>1,317,767</u>	<u>4,168,431</u>
Total liabilities and fund balance	<u>\$ 9,004,296</u>	<u>\$ 1,477,929</u>	<u>\$ 10,482,225</u>

See Accompanying Notes to Financial Statements

**Clio Area Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2014**

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<b>Total fund balances for governmental funds</b>	\$ 4,168,431
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	90,000
Capital assets - net of accumulated depreciation	9,102,348
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	<u>(130,987)</u>
<b>Net position of governmental activities</b>	<u>\$ 13,229,792</u>

See Accompanying Notes to Financial Statements

**Clio Area Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Local sources	\$ 2,771,773	\$ 1,232,994	\$ 4,004,767
State sources	23,363,857	73,980	23,437,837
Federal sources	1,670,434	889,048	2,559,482
Interdistrict sources	<u>1,039,422</u>	<u>-</u>	<u>1,039,422</u>
Total revenues	<u>28,845,486</u>	<u>2,196,022</u>	<u>31,041,508</u>
<b>Expenditures</b>			
Current			
Education			
Instruction	18,265,307	-	18,265,307
Supporting services	11,032,476	-	11,032,476
Food services	-	1,214,268	1,214,268
Community services	377,748	-	377,748
Capital outlay	<u>137,660</u>	<u>247,321</u>	<u>384,981</u>
Total expenditures	<u>29,813,191</u>	<u>1,461,589</u>	<u>31,274,780</u>
Excess (deficiency) of revenues over expenditures	(967,705)	734,433	(233,272)
Fund balance - beginning	<u>3,818,369</u>	<u>583,334</u>	<u>4,401,703</u>
Fund balance - ending	<u>\$ 2,850,664</u>	<u>\$ 1,317,767</u>	<u>\$ 4,168,431</u>

See Accompanying Notes to Financial Statements

**Clio Area 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, 2014**

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<b>Net change in fund balances - total governmental funds</b>	\$ (233,272)
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 funds.	
Operating grants and other interdistrict sources	(532,417)
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	(895,475)
Capital outlay	6,871
Expenses are recorded when incurred in the statement of activities.	
Benefit claims	583,000
Compensated absences	<u>27,131</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ (1,044,162)</u></b>

See Accompanying Notes to Financial Statements

**Clio Area Schools**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2014**

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	<u>Agency Fund</u>
<b>Assets</b>	
Cash	<u>\$ 319,173</u>
<b>Liabilities</b>	
Due to other funds	2,566
Due to student activities	<u>316,607</u>
 Total liabilities	 <u>\$ 319,173</u>

See Accompanying Notes to Financial Statements

**Clio Area Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

**District-wide Financial Statements**

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

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

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

**Fund Financial Statements**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

**Clio Area Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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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.

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 School District’s Special Revenue Fund includes the Food Service Fund. Operating deficits generated by these activities are generally covered by a transfer from the General Fund.

Capital Projects Fund – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction, additions or major replacements to school buildings.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. 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.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2014, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non principal residence exemption	18.00000
Commercial personal property	6.00000
Sinking Fund	2.00000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. Approximately 99% of the School District’s tax roll lies within Genesee County.

**Clio Area Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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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 Counties of Genesee and Saginaw and remitted to the School District by June 30.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

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

Buildings and additions	5-50 years
Equipment and furniture	3-20 years
Buses and other vehicles	5-10 years

Compensated Absences – Sick days are earned by employees at varying rates, which may accumulate from year to year, and are as follows:

Teachers and Bus Drivers, 10 days per year; Administrators, Secretaries, and Custodians, 12 days per year.

There are some variations from group to group; normally employees who work only when school is in session receive 10 days per year and employees who work the entire year receive 12 days per year.

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 report amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

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

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

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

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

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

**Clio Area Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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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 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 District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

#### **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**

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

The Government Accounting Standards Board ("The GASB") has issued Statements 68, *Accounting and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability will be recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension

contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. The District is evaluating the impact these standards will have on its financial reporting. Statements 68 and 71 are effective for the year ending June 30, 2015.

The GASB has also issued Statement 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending June 30, 2015.

#### **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

**Clio Area Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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.

**Excess of Expenditures over Appropriations**

During the year, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Function</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund			
Basic programs	\$ 14,548,179	\$ 15,004,910	\$ 456,731
Pupil	1,384,968	1,435,118	50,150
General administration	629,062	635,921	6,859
Business	371,017	399,980	28,963
Athletics	449,887	492,059	42,172

**Compliance Sinking Funds**

The Sinking Fund records capital project activities funded with the Sinking Fund millage. For these activities, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 4,958,353	\$ 319,173	\$ 5,277,526

*Interest rate risk* – The 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.

*Concentration of credit risk* – The 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 District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$ 5,854,408 of the District's bank balance of \$ 6,104,408 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Clio Area Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 4 - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 90,000	\$ -	\$ -	\$ 90,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>90,000</u>
Capital assets being depreciated				
Buildings and additions	19,407,124	-	-	19,407,124
Equipment and furniture	2,245,661	6,871	-	2,252,532
Buses and other vehicles	<u>2,039,095</u>	<u>-</u>	<u>-</u>	<u>2,039,095</u>
Total capital assets being depreciated	23,691,880	6,871	-	23,698,751
Less accumulated depreciation for				
Buildings and additions	10,742,957	633,548	-	11,376,505
Equipment and furniture	1,158,551	175,860	-	1,334,411
Buses and other vehicles	<u>1,799,420</u>	<u>86,067</u>	<u>-</u>	<u>1,885,487</u>
Total accumulated depreciation	<u>13,700,928</u>	<u>895,475</u>	<u>-</u>	<u>14,596,403</u>
Net capital assets being depreciated	<u>9,990,952</u>	<u>(888,604)</u>	<u>-</u>	<u>9,102,348</u>
Net capital assets	<u>\$ 10,080,952</u>	<u>\$ (888,604)</u>	<u>\$ -</u>	<u>\$ 9,192,348</u>

Depreciation for the fiscal year ended June 30, 2014 amounted to \$ 895,475. The School District allocated depreciation to the various governmental activities as follows:

Instruction	\$ 529,499
Support services	319,824
Food services	35,201
Community services	<u>10,951</u>
Total governmental activities	<u>\$ 895,475</u>

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Individual interfund receivable and payable balances at year end were:

	<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
Sinking Fund		General Fund	\$ 76,423
General Fund		Food Service Fund	<u>41,402</u>
			<u>\$ 117,825</u>

Additionally, \$ 2,566 is owed by the agency fund to the general fund. The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

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

There were no Interfund transfers made during the year.

**Clio Area Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 6 – 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 various components of unearned revenue are as follows:

	<u>Unearned</u>
Monies payable to grantors due to recapture of funds	\$ 32,814
Grant and categorical aid payments received prior to meeting all eligibility requirements	221,753
Total	\$ 254,567

**NOTE 7 - LONG-TERM DEBT**

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

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Accrued compensated absences	\$ 158,118	\$ -	\$ 27,131	\$ 130,987	\$ -

For governmental activities, compensated absences are primarily liquidated by the general fund.

**Compensated Absences**

Accrued compensated absences at year end, consists of accrued personal time benefits and accrued sick time benefits. 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.

**NOTE 8 – STATE AID ANTICIPATION NOTE**

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30<sup>th</sup>.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000

**Clio Area Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

**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.

For a portion of the year, the School District was self-insured for vision, dental, and certain health benefits, including prescription drug coverage and doctors visits paid on behalf of its employees. Payments are made to the insurance administrator on a continual basis based on actual claims and administration fees incurred. The School District estimates the liability for employee claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide statements. For governmental activities, the liability for health benefits is primarily liquidated by the general fund.

During the year, the School District terminated its self-insured arrangement in favor of traditional premium-based coverage.

The change in estimated liabilities for incurred but not reported benefit claims for the year is as follows:

Estimated liability, beginning of the year	\$ 287,000
Estimated claims incurred including changes in estimates	809,138
Claim payments	<u>(1,096,138)</u>
Estimated liability, end of the year	<u>\$ -</u>

**NOTE 10 - PENSION PLANS AND POST EMPLOYMENT BENEFITS**

**Plan Description**

The School District has a group of defined benefit and defined contribution retirement plans covering substantially all employees. The plans are operated by the State of Michigan's Public School Employees' Retirement System (MPSERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

The plans provide retirement, survivor and disability benefits to plan members and their beneficiaries.

The system also provides postemployment healthcare benefits to retirees and their beneficiaries who elect to receive the benefits.

MPSERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services, under the authority established by the Michigan Public School Employees Retirement Act (Retirement Act), as enacted and amended by the Michigan Legislature. The Michigan Legislature has the authority to amend the Retirement Act. The Michigan Department of Technology, Management and Budget issues a publicly-available financial report that includes financial statements and required

**Clio Area Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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supplemental information for MPSERS. The report provides information for the plans as a whole and information helpful for understanding the scale of the information presented relative to the School District. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

Full details on each of these plans are available on the MPSERS website at the address provided above.

**Clio Area Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

**Pension Benefits**

Employer contributions to MPERS result from the applying rules and applicable changes of the School Finance Reform Act. Accordingly, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. Depending on the plan selected, a plan member's contribution may range from 0% to 7% of their gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

For the period July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health contributions	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
Defined contribution plan employer contributions:							
DC	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

For the period October 1, 2013 through June 30, 2014, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health contributions	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
Defined contribution plan employer contributions:							
DC	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

**Clio Area Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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The School District's required and actual contributions to the plans for the years ended June 30, 2014, 2013, and 2012 were approximately \$ 2,700,000, \$ 2,440,000 and \$ 2,450,000, respectively. Contributions made by the participants of the plan for the year ended June 30, 2014 were approximately \$ 18,000.

**Post Employment Benefits**

In addition to the pension benefits described above, state law requires the School District to provide post-retirement 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 2% of their salary, and receives 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, 2013 through September 30, 2013, and October 1, 2013 through June 30, 2014, the employer contribution rate ranged from 8.18% to 9.11% and 5.52% to 6.45%, respectively. See the above two tables for rates.

The District's actual contributions match the required contributions for the years ended June 30, 2014, 2013, and 2012 and were approximately \$ 1,060,000, \$ 1,450,000, and \$ 1,390,000, respectively.

**Unfunded Actuarial Accrued Liability**

During the year ended June 30, 2014, the District had contributions in the amount of \$ 787,981 to the Michigan Public School Employee Retirement System (MPSERS). This amount represents the additional employer contributions attributed to the unfunded actuarial accrued liability (UAAL) rate, which was approximately 4.56% for the year. These contributions are not included in the above tables.

**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, 2014.

The School District is a defendant in various lawsuits. In the opinion of management and the School District's attorneys, both the outcome and possible exposure to the District are not presently determinable. However, management believes any potential liability to the School District from the outcome of these lawsuits would be covered by insurance.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Clio Area Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 2,591,621	\$ 3,014,740	\$ 2,771,773	\$ (242,967)
State sources	24,880,591	23,427,490	23,363,857	(63,633)
Federal sources	1,282,738	1,568,170	1,670,434	102,264
Interdistrict sources	<u>573,000</u>	<u>760,294</u>	<u>1,039,422</u>	<u>279,128</u>
Total revenues	<u>29,327,950</u>	<u>28,770,694</u>	<u>28,845,486</u>	<u>74,792</u>
<b>Expenditures</b>				
Instruction				
Basic programs	14,897,736	14,548,179	15,004,910	456,731
Added needs	3,040,420	3,608,824	3,348,803	(260,021)
Supporting services				
Pupil	1,169,724	1,384,968	1,435,118	50,150
Instructional staff	1,402,472	1,334,515	1,232,491	(102,024)
General administration	455,704	629,062	635,921	6,859
School administration	2,059,062	1,901,738	1,873,175	(28,563)
Business	317,437	371,017	399,980	28,963
Operations and maintenance	2,477,140	2,560,750	2,518,324	(42,426)
Pupil transportation services	2,158,730	2,106,248	2,021,544	(84,704)
Central	487,639	598,156	473,017	(125,139)
Athletic activities	528,738	449,887	492,059	42,172
Community services	<u>310,787</u>	<u>406,447</u>	<u>377,849</u>	<u>(28,598)</u>
Total expenditures	<u>29,305,589</u>	<u>29,899,791</u>	<u>29,813,191</u>	<u>(86,600)</u>
Excess (deficiency) of revenues over expenditures	<u>22,361</u>	<u>(1,129,097)</u>	<u>(967,705)</u>	<u>161,392</u>
Fund balance - beginning	<u>3,818,369</u>	<u>3,818,369</u>	<u>3,818,369</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,840,730</u>	<u>\$ 2,689,272</u>	<u>\$ 2,850,664</u>	<u>\$ 161,392</u>

## OTHER SUPPLEMENTARY INFORMATION

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**Clio Area Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2014**

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	<u>Food Service</u>	<u>Sinking Fund</u>	<u>Funds</u>
<b>Assets</b>			
Cash	\$ 251,543	\$ 1,018,909	\$ 1,270,452
Due from other funds	41,402	-	41,402
Due from other governmental units	6,928	-	6,928
Inventory	24,147	-	24,147
Prepaid items	<u>135,000</u>	<u>-</u>	<u>135,000</u>
Total assets	<u>\$ 459,020</u>	<u>\$ 1,018,909</u>	<u>\$ 1,477,929</u>

**Clio Area Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2014**

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	<u>Food Service</u>	<u>Sinking Fund</u>	<u>Funds</u>
<b>Liabilities and Fund Balance</b>			
Liabilities			
Accounts payable	\$ 73,764	\$ 9,975	\$ 83,739
Due to other funds	<u>-</u>	<u>76,423</u>	<u>76,423</u>
Total liabilities	<u>73,764</u>	<u>86,398</u>	<u>160,162</u>
Fund Balance			
Non-spendable			
Inventory	24,147	-	24,147
Prepaid items	135,000	-	135,000
Restricted for:			
Food service	226,109	-	226,109
Assigned for:			
Capital projects	<u>-</u>	<u>932,511</u>	<u>932,511</u>
Total fund balance	<u>385,256</u>	<u>932,511</u>	<u>1,317,767</u>
Total liabilities and fund balance	<u>\$ 459,020</u>	<u>\$ 1,018,909</u>	<u>\$ 1,477,929</u>

**Clio Area Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2014**

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Sinking Fund</u>	
<b>Revenues</b>			
Local sources	\$ 318,393	\$ 914,601	\$ 1,232,994
State sources	73,980	-	73,980
Federal sources	889,048	-	889,048
	<u>1,281,421</u>	<u>914,601</u>	<u>2,196,022</u>
<b>Expenditures</b>			
Current			
Food services	1,214,268	-	1,214,268
Capital outlay	<u>-</u>	<u>247,321</u>	<u>247,321</u>
	<u>1,214,268</u>	<u>247,321</u>	<u>1,461,589</u>
Excess of revenues over expenditures	67,153	667,280	734,433
Fund balance - beginning	<u>318,103</u>	<u>265,231</u>	<u>583,334</u>
Fund balance - ending	<u>\$ 385,256</u>	<u>\$ 932,511</u>	<u>\$ 1,317,767</u>