

CLARE PUBLIC SCHOOL DISTRICT
Clare, Michigan

Financial Statements
With Supplemental Information
June 30, 2013



Clare Public School District
Table of Contents
June 30, 2013

	Page Number
Independent Auditor's Report	
Management's Discussion and Analysis	I - XI
Basic Financial Statements	
District-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	3
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of the Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Fiduciary Net Position	7
Notes to the Financial Statements	8-21
Required Supplemental Information	
Budgetary Comparison Schedules	22-23
Other Supplemental Information	
General Fund – Statement of Revenues and Expenditures	24-29
Food Service Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	30
Capital Projects Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	31
Debt Service Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	32
Schedule of Long-Term Debt	33-35
Government Auditing Standards Report.....	36



INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Clare Public Schools

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 Clare Public Schools (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's Responsibility

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

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

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

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 District, as of June 30, 2013, 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.

Change in Accounting Principle

As discussed in the notes to the financial statements, during the year the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of the implementation of these Statements, the financial statements have been changed to reflect the new presentations required by GASB Statements No. 63 and No. 65, as applicable. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 District's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relate 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 supplemental information 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 8, 2013 on our consideration of the District's 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 the District's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C." The signature is written in dark ink and is positioned below the word "Sincerely,".

Roslund, Prestage & Company, P.C.
October 8, 2013

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Our discussion and analysis of the Clare School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2013.

Financial Highlights

The School District's net position increased \$441,051 or 6.4%. Program revenues accounted for \$2.83 million or 19% of total revenues and general revenues accounted for \$12.3 million or 81%.

The General Fund reported a positive fund balance in excess of \$1.24 million.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Clare Public Schools financially as a whole. 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 operations in more detail than the district-wide financial statements by providing information about the School District's funds - the General Fund, Food Service Fund, Capital Projects Fund, with all Debt funds presented in one column. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students activities. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial status. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Fiduciary Funds

The School District is the trustee, or fiduciary, for its student activity funds and library funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2013 and 2012:

	Governmental Activities	
Exhibit A	2013	2012
Assets		
Current and other assets	\$6,300,000	\$ 5,900,000
Capital assets - net of accumulated depreciation	11,700,000	12,000,000
Total assets	18,000,000	17,900,000
Liabilities		
Current liabilities	2,500,000	1,500,000
Long-term liabilities	8,200,000	9,500,000
Total liabilities	10,700,000	11,000,000
Net Assets		
Invested in property and equipment - net of related debt	3,500,000	2,600,000
Restricted	2,600,000	2,700,000
Unrestricted	1,200,000	1,600,000
Total net position	\$ 7,300,000	\$ 6,900,000

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2013

The preceding table focuses on net position (see Exhibit A). The School District's net position was \$7,300,000 at June 30, 2013. Capital assets, net of related debt totaling \$3,500,000, compares the original costs, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

The \$1,200,000 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2013 and 2012.

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Exhibit B	Governmental Activities	
	2013	2012
Revenue		
Program revenue:		
Charges for services	\$ 350,000	\$ 320,000
Grants and categoricals	2,480,000	2,050,000
General revenue:		
Property taxes	2,430,000	2,350,000
State foundation allowance	9,060,000	8,760,000
Other	820,000	160,000
Total revenue	15,140,000	13,640,000
Function/Program Expenses		
Instruction	8,860,000	8,660,000
Support services	4,560,000	4,310,000
Food services	560,000	600,000
Other Expenditures	70,000	120,000
Interest on long-term debt	260,000	260,000
Debt service principal payments	1,300,000	390,000
Total expenses	15,600,000	14,340,000
Prior Period Adjustment		-
Change in net position	\$ (470,000)	\$ (700,000)

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2013

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$15.6 million. Certain activities were partially funded from those who benefited from the programs (\$350,000) or by the other governments and organizations that subsidized certain programs with grants and categorical (\$2.5 million). We paid for the remaining “public benefit” portion of our governmental activities with \$2.4 million in taxes, \$9.1 million in State Foundation Allowance and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net position of \$470,000. The decrease was due to the excess of expenditures over revenues. The decrease in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental funds reported a combined fund balance of \$3.9 million, which is below last year's total of \$4.3 million. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Change</u>
General	\$ 1,249,581	\$ 1,650,227	\$ (400,646)
Special Revenue	166,529	171,212	(4683)
Debt Service	1,625,159	2,297,986	(672,827)
Capital Projects	814,672	209,058	605,614
Total	<u>\$ 3,855,941</u>	<u>\$ 4,328,483</u>	<u>\$ (472,542)</u>

The School District completed this year with a combined fund balance decrease of \$472,542 from the previous year.

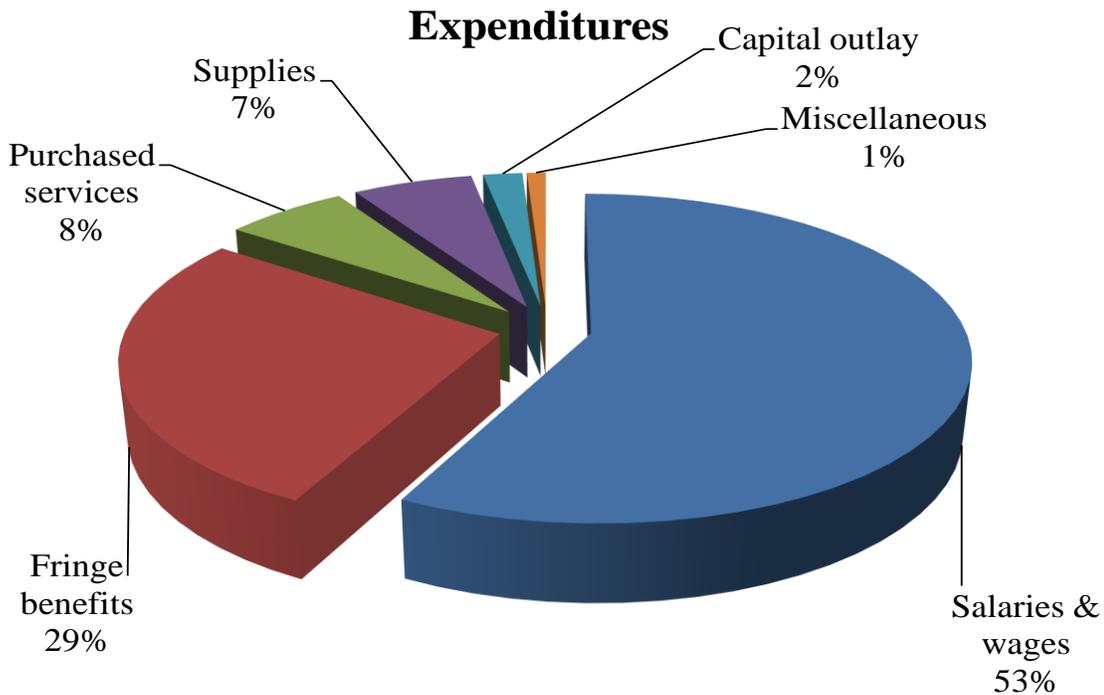
- The General Fund balance decreased by \$400,646 due to the planned use of fund balance. Overall, the General Fund activity was within 98 percent of budgeted revenues and expenditures.

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2013

- Our Capital Projects Funds' balances increased by \$605,614. This increase was the result of fundraising done in the spring for the Brookwood 2.0 (athletic complex) project done in 2013-14.
- Our Debt Service Funds' balances decreased by \$672,827. The decrease was mainly due to the first of three principal payments of \$900,000 made for the QZAB bonds.
- Our Special Revenue Funds' balances decreased by \$4,683. Through normal operations, the Food Service Fund spent \$4,683 more than it brought in.

CLARE PUBLIC SCHOOLS
 Management's Discussion and Analysis
For the Year Ended June 30, 2013

As the graph below illustrates, the largest portions of General Fund expenditures (excluding fund transfers) are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



<i>Expenditures by object</i>	<u>2013</u>	<u>2012</u>
Salaries and wages	\$ 7,156,213	\$ 7,039,575
Fringe benefits	3,937,065	3,930,622
Purchased services	1,062,079	1,325,029
Supplies	972,898	581,105
Capital outlay	313,520	115,001
Miscellaneous	50,987	87,687
Total	<u>\$13,492,762</u>	<u>\$13,079,019</u>

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Expenditures (not including transfers) are up \$413,743 or 3%. Salaries and wages have increased by \$116,638. This change is due to contractual raises. Purchased services are down \$262,950. In 2011-12, more projects were done including getting wireless internet service in the district. Capital Outlay is up \$198,519, mainly due to the purchase of the district phone system.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Final budgeted revenues were \$614,310 more than the original budget, mainly due to increases in Federal grant money available and state aid budget adjustments.
- The actual revenues were \$62,773 more than the final budgeted revenues. This was due to a combination of small variances within all three major funding sources.
- Final budgeted expenditures were \$683,381 above the original budget. This was mainly due to the adding to the operations budget for a new phone system and the additional budgeting of Federal grant money.
- The actual expenditures were \$305,986 lower than the final budgeted expenditures. This was mainly due to slightly less spending in many areas including transportation and utilities.

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Capital Assets

At June 30, 2013, the School District had \$12 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of \$360,785, or 3%, from last year.

	<u>2013</u>	<u>2012</u>
Land	\$ 298,976	\$ 298,976
Buildings and improvements	15,779,296	15,779,296
Buses and other vehicles	696,824	696,824
Furniture and equipment	<u>7,035,483</u>	<u>6,932,087</u>
 Total capital assets	 23,810,579	 23,707,183
 Less accumulated depreciation	 <u>12,132,053</u>	 <u>11,667,872</u>
 Net capital assets	 <u><u>\$ 11,678,526</u></u>	 <u><u>\$ 12,039,311</u></u>

This year's additions included \$159,888 for the district's new telephone system. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$7,685,000 in bonds outstanding versus \$8,989,490 in the previous year – a decrease of 14.5%. The decrease reflects principal payments made on the 2006 refunding bond, the Durant bond, and the 2001 QZAB bonds.

	<u>2013</u>	<u>2012</u>
2006 Refunding Bonds	\$ 5,825,000	\$ 6,220,000
2001 Revenue Bonds	0	0
2001 QZAB Bonds	1,860,000	2,760,000
2002 QZAB Bonds	0	0
Durant Bonds	<u>0</u>	<u>9,490</u>
	<u><u>\$ 7,685,000</u></u>	<u><u>\$ 8,989,490</u></u>

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2013

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2013 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2013 fiscal year budget was adopted in June 2013, based on an estimate of students that will be enrolled in October 2013. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2013-14 school year, we anticipate that the fall student count will meet the estimates used in creating the 2013 fiscal year budget. 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.

Requests For Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Clare Public School District
201 East State Street
Clare, Michigan 48617

**DISTRICT-WIDE
FINANCIAL STATEMENTS**



Clare Public Schools
Statement of Net Position
June 30, 2013

Assets

Current assets

Cash and cash equivalents	\$ 4,225,024
Accounts receivable	1,372
Due from other governmental units	2,033,478
Inventory	2,946
Prepaid expenses	66,730
Total current assets	6,329,550

Noncurrent assets

Land	298,976
Capital assets less accumulated depreciation	11,379,550
Total noncurrent assets	11,678,526

Total assets 18,008,076

Liabilities

Current liabilities

Accounts payable	214,588
Due to other governmental units	133,320
Accrued interest on short-term note payable	8,209
Salaries payable	830,749
Unearned revenues	15,029
Short-term note payable	1,271,714
Accrued interest on long-term debt	15,088
Current portion of long-term obligations	1,342,865
Total current liabilities	3,831,562

Noncurrent liabilities

Noncurrent portion of long-term obligations	6,345,000
Compensated absences	204,533
Post-employment benefits	310,685
Total noncurrent liabilities	6,860,218

Total liabilities 10,691,780

Net position

Invested in capital assets, net of related debt	3,691,685
Restricted for:	
Debt service	1,625,159
Capital projects	814,672
Food service	166,529
Unrestricted	1,018,251
Total net position	\$ 7,316,296

Clare Public Schools
Statement of Activities
For the Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 8,681,685	\$ 21,940	\$ 2,095,147	\$ (6,564,598)
Support services	4,560,848	54,826	-	(4,506,022)
Food service	558,670	165,694	385,106	(7,870)
Community services	21,443	105,448	-	84,005
Interest and fees on long-term debt	273,289	-	-	(273,289)
Other expenditures	42,567	-	-	(42,567)
Depreciation - unallocated	556,476	-	-	(556,476)
Total governmental activities	<u>\$ 14,694,978</u>	<u>\$ 347,908</u>	<u>\$ 2,480,253</u>	<u>(11,866,817)</u>
General revenues:				
Property taxes				2,371,833
State sources				9,061,625
Unrestricted interest and investment earnings				1,587
Restricted interest and investment earnings				59,306
Miscellaneous				813,514
Total general revenues				<u>12,307,865</u>
Change in net position				441,048
Net position - beginning				<u>6,875,248</u>
Net position - ending				<u>\$ 7,316,296</u>

FUND FINANCIAL STATEMENTS



Clare Public Schools
Balance Sheet - Governmental Funds
June 30, 2013

	Major Funds				Totals
	General	Food Service	Capital Projects	Debt Service	
Assets					
Cash and cash equivalents	\$ 1,678,487	\$ 106,019	\$ 815,359	\$ 1,625,159	\$ 4,225,024
Accounts receivable	1,372	-	-	-	1,372
Due from other governmental units	2,023,150	10,328	-	-	2,033,478
Inventory	-	2,946	-	-	2,946
Prepaid expenses	16,730	50,000	-	-	66,730
Total assets	<u>\$ 3,719,739</u>	<u>\$ 169,293</u>	<u>\$ 815,359</u>	<u>\$ 1,625,159</u>	<u>\$ 6,329,550</u>
Liabilities					
Accounts payable	\$ 213,540	\$ 361	\$ 687	\$ -	\$ 214,588
Due to other governmental units	133,320	-	-	-	133,320
Accrued interest	8,209	-	-	-	8,209
Salaries payable	830,749	-	-	-	830,749
Unearned revenues	12,626	2,403	-	-	15,029
Short term note payable	1,271,714	-	-	-	1,271,714
Total liabilities	<u>2,470,158</u>	<u>2,764</u>	<u>687</u>	<u>-</u>	<u>2,473,609</u>
Fund balance					
Non-spendable					
Inventory	-	2,946	-	-	2,946
Prepaid expenses	16,730	50,000	-	-	66,730
Restricted	-	113,583	814,672	1,608,276	2,536,531
Committed	-	-	-	16,883	16,883
Unassigned	1,232,851	-	-	-	1,232,851
Total fund balance	<u>1,249,581</u>	<u>166,529</u>	<u>814,672</u>	<u>1,625,159</u>	<u>3,855,941</u>
Total liabilities and fund balance	<u>\$ 3,719,739</u>	<u>\$ 169,293</u>	<u>\$ 815,359</u>	<u>\$ 1,625,159</u>	<u>\$ 6,329,550</u>

Clare Public Schools
 Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
 to Net Position of Governmental Activities on the Statement of Net Position
 For the Year Ended June 30, 2013

Total fund balance - governmental funds		\$ 3,855,941
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p>		
Add: Cost of capital assets	\$ 23,810,579	
Deduct: Accumulated depreciation	<u>(12,132,053)</u>	
		11,678,526
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Long-term debt obligations		
Deduct: 2006 Refunding Bonds	(5,825,000)	
Deduct: 2001 School Building & Site Bonds, Series B	(1,860,000)	
Deduct: Woodlawn Special Assessment Debt	<u>(2,865)</u>	
		(7,687,865)
Other long-term obligations		
Deduct: Compensated absences payable		(204,533)
Deduct: Post-employment benefits		(310,685)
Deduct: Accrued interest on long-term liabilities		<u>(15,088)</u>
Total net position - governmental activities		<u><u>\$ 7,316,296</u></u>

Clare Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2013

	Major Funds				Totals
	General	Food Service	Capital Project	Debt Service	
Revenues					
Local sources	\$ 1,837,956	\$ 168,881	\$ 707,104	\$ 880,207	\$ 3,594,148
State sources	10,061,651	29,116	-	-	10,090,767
Federal sources	1,095,121	355,990	-	-	1,451,111
Total revenues	12,994,728	553,987	707,104	880,207	15,136,026
Expenditures					
Instruction					
Basic programs	6,914,496	-	-	-	6,914,496
Added needs	1,869,380	-	-	-	1,869,380
Adult / continuing education	75,608	-	-	-	75,608
Total instruction	8,859,484	-	-	-	8,859,484
Support services					
Pupil	520,288	-	-	-	520,288
Instructional staff	331,948	-	-	-	331,948
General administration	299,690	-	-	-	299,690
School administration	694,623	-	-	-	694,623
Business services	313,340	-	-	-	313,340
Operation and maintenance	1,261,851	-	-	-	1,261,851
Pupil transportation	365,741	-	-	-	365,741
Central	476,650	-	-	-	476,650
Athletics	296,717	-	-	-	296,717
Total support services	4,560,848	-	-	-	4,560,848
Food service	-	558,670	-	-	558,670
Community services	21,443	-	-	-	21,443
Debt service					
Principal payments	12,355	-	-	1,295,000	1,307,355
Interest, fees and other	1,001	-	-	257,200	258,201
Other	37,631	-	4,102	834	42,567
Total expenditures	13,492,762	558,670	4,102	1,553,034	15,608,568
Excess (deficiency) of revenues over expenditures	(498,034)	(4,683)	703,002	(672,827)	(472,542)
Other financing sources (uses)					
Operating transfers in	159,888	-	62,500	-	222,388
Operating transfers (out)	(62,500)	-	(159,888)	-	(222,388)
Excess (deficiency) of revenues and other sources over expenditures	(400,646)	(4,683)	605,614	(672,827)	(472,542)
Fund balances - beginning	1,650,227	171,212	209,058	2,297,986	4,328,483
Prior period adjustment	-	-	-	-	-
Fund balances - ending	\$ 1,249,581	\$ 166,529	\$ 814,672	\$ 1,625,159	\$ 3,855,941

Clare 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, 2013

Net change in fund balances - total governmental funds	\$	(472,542)
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Amounts reported for governmental activities in the statement of activities are different because:

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 as depreciation expense.

Add:	Capital outlay	195,690
Deduct:	Depreciation expense	(556,476)

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

Long-term obligations

Add:	2006 Refunding Bonds	395,000
Add:	2001 School Building & Site Bonds, Series B	900,000
Add:	Durant Non-Plaintiff Bond	9,490
Add:	Woodlawn Special Assessment Debt	2,865

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct:	Increase in accrual for compensated absences	(43,733)
Add:	Decrease in accrual for other post-employment benefits	25,842
Deduct:	Increase in accrued interest on long term debt	(15,088)

Change in net position - governmental activities	\$	<u>441,048</u>
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Clare Public Schools
Fiduciary Funds - Statement of Net Position
For the Year Ended June 30, 2013

	Private Purpose Trust	Agency Fund
Assets		
Cash and cash equivalents	\$ 25,000	\$ 151,884
Liabilities		
Due to student and other groups	-	151,884
Net position		
Restricted net position	\$ 25,000	\$ -

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Clare Public School District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District.

Reporting Entity

The District is governed by a Board of Education which has responsibility and control over all activities related to public school education within the District. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities.

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 District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

District-Wide and Fund Financial Statements

The District-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items, including taxes and intergovernmental payments, not properly included among program revenues are reported instead as general revenues.

Net position are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Clare Public School District
Notes to the Financial Statements
June 30, 2013

Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. 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 severance pay, are recorded only when payment is due.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

- The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The debt service fund is used to record tax, interest, other revenue for payment, principal and other expenditures on bond issues.
- The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The school service funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The school service funds maintained by the District are the capital projects and food service fund.

Additionally, the District reports the following fund types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary fund net position and results of operations are not included in the District-wide statements. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not involve measurement of results of operations.

The District presently maintains a student activity fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

The District also maintains a non-expendable trust fund to account for assets of which the principal may not be spent. These funds have been accumulated to pay scholarships and awards to students.

Budgetary Data

Budgets are adopted by the District for the general and special revenue funds. The budgets are adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level and control is exercised at the activity level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

State statute authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The District's deposits are in accordance with statutory authority.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the State of Michigan.

Property Tax Revenue

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. For Clare Public Schools taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

The taxable value for the District amounted to \$230,661,698, which includes \$84,084,421 attributable to non-homesteads. The District levied 18.00 mills for school general operations on the non-homestead taxable value, which totaled \$1,551,087. The District also levied an additional 3.50 mills on all property in the District for the purpose of debt service, which totaled \$807,316.

State Aid Revenue

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

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

Inventory

Inventories are valued at cost, on a first in, first out (FIFO) basis. Fund balance is reserved for the amount of inventories on hand as of June 30th.

USDA donated commodities are recorded as a unearned revenue and inventory when received based on their fair market value as determined by the U.S. Department of Agriculture. Revenues and expenditures are then recognized when the commodities are used. Ending inventory for USDA donated commodities was immaterial and, therefore, was not recorded.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental column in the District-wide financial statements. Capital assets are defined by the District as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The District does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial

Clare Public School District
Notes to the Financial Statements
June 30, 2013

statements. Depreciation expense is recorded in the District-wide financial statements.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land	Not Depreciated
Buildings & Additions	10 - 50
Machinery & Equipment	5 - 20
Vehicles	7
Construction In Process	Not Depreciated

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 at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Compensated Absences (unused sick pay is calculated using the termination payoff rate of \$40 for eligible employees times the number of unused days (maximum 155 days). At June 30, 2013, the amount of \$204,533 has been reflected in the District-wide financial statements.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and District-wide financial statements, and revenue is recognized.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position.

Net Position and Fund Balances

Restricted net position shown in the District-wide financial statements will generally be different from amounts reported in fund balances in the governmental fund financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

Fund Balances

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Clare Public School District
Notes to the Financial Statements
June 30, 2013

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Capital Projects and Debt Service fund balances are considered restricted. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position – Restrictions

Net position in the government-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Unemployment Compensation

The 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 District must reimburse the Employment Commission for all benefits charged against the District for the year. No provision has been made for possible future claims.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess Of Expenditures Over Appropriations

Budgets are adopted at the functional level and on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is not employed in governmental funds.

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- The budget was amended during the year with supplemental appropriations, the last one approved prior

Clare Public School District
Notes to the Financial Statements
June 30, 2013

to June 30, 2013.

A detailed comparison of budget to actual revenues and expenses are shown at the back of the report.

NOTE 3. DEPOSITS AND INVESTMENTS

At June 30th, the carrying amount of the District's cash, deposits and investments was as follows:

Cash, Deposits, And Investments	Amount
Petty Cash	\$ 900
Checking, Savings, & Money Market Accounts	3,600,293
State Investment Pool – MILAF	623,831
Total	\$ 4,225,024

Deposits with Financial Institutions

At year-end, the carrying amount of the District's deposits was \$4,225,024 and the bank balance was \$4,321,356. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits that exceed FDIC insurance coverage limits are held at local banks.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

The District voluntarily invests certain excess funds in external pooled investment funds which includes money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school Districts. MILAF is not regulated nor is it registered with the SEC. As of June 30, 2013, MILAF reports the fair value of the District's investments is the same as the value of the pool shares.

Investments

As of June 30th, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (years)	Rating	%
MILAF External Investment pool-MICMC	\$ 193,941	0.0027	AAAm	29.8
MILAF External Investment pool-MIMAX	456,936	0.0027	AAAm	70.2
Total fair value	\$ 650,877			100.00
Portfolio weighted average maturity: 1 day maturity equals 0.0027, one year equals 1.00				

MILAF investments are rated by Standard and Poor's.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating

Clare Public School District
Notes to the Financial Statements
June 30, 2013

issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

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. See above for amount of deposits held by the District that are exposed to custodial credit risk because it is uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, it is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

NOTE 4. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivable or payable amounts shown on the fund financial statements as of June 30th.

NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS

As of June 30th, due from other governmental units is comprised of the following amounts:

Description	Amount
General Fund:	
Federal Grants	\$ 101,137
State of Michigan – State Aid	1,922,013
Hot Lunch Fund:	
State of Michigan – State Aid	10,328
Totals	\$ 2,033,478

NOTE 6. PREPAIDS

Prepaid expenses represent payments for the following expenses that will benefit future periods:

Description	Amount
General Fund:	
Prepaid Expenses	\$ 16,730
Hot Lunch Fund:	
Chartwells	50,000
Totals	\$ 66,730

Clare Public School District
Notes to the Financial Statements
June 30, 2013

NOTE 7. CAPITAL ASSETS

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

Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 298,976	\$ -	\$ -	\$ 298,976
Buildings & improvements	15,779,296	-	-	15,779,296
Vehicles	696,824	-	-	696,824
Furniture and equipment	6,932,088	195,690	(92,295)	7,035,483
Total Capital Assets	23,707,184	195,690	(92,295)	23,810,579
Accumulated Depreciation				
Buildings & improvements	(5,315,404)	(262,465)	-	(5,577,869)
Vehicles	(660,545)	(10,544)	-	(671,089)
Furniture and equipment	(5,691,923)	(283,466)	92,295	(5,883,094)
Total Accumulated Depreciation	(11,667,872)	(556,476)	92,295	(12,132,053)
Net Capital Assets	\$ 12,039,312	\$ (360,786)	\$ -	\$ 11,678,526

Depreciation for the year ended June 30, 2013 totaled \$ 556,476. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 8. ACCRUED INTEREST

Accrued interest represents interest accrued on outstanding debt from the date of the last payment to the end of the fiscal year as follows:

Description	Amount
2006 Bonds	\$ 15,088

NOTE 9. SALARIES PAYABLE

Salaries payable represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th.

NOTE 10. UNEARNED REVENUE

Unearned revenue represents revenues received in advance of the amount expended as follows:

Description	Amount
General Fund	\$ 12,626
Food Service Fund	2,403
Total	\$ 15,029

NOTE 11. SHORT-TERM NOTE PAYABLE

On August 20, 2012, the District borrowed \$1,700,000 in three notes (\$500,000, \$660,000 and \$540,000) from the Michigan Finance Authority in the form of State Aid Anticipation Notes for the purpose of providing funds for

Clare Public School District
Notes to the Financial Statements
June 30, 2013

school operations. The interest rates are stated at 0.4%. These notes are payable at maturity on August 20, 2013. The balances of these loans are shown as a current liability (less set asides) in the General Fund.

On August 20, 2013 (after the end of the current fiscal year), the District borrowed \$1,700,000 in three notes (\$500,000, \$660,000 and \$540,000) from the Michigan Finance Authority in the form of State Aid Anticipation Notes for the purpose of providing funds for school operations. The interest rates are stated at 0.4%. These notes are payable at maturity on August 20, 2014. These loans were acquired after the end of the fiscal year and, therefore, are not shown as current liabilities in the General Fund.

NOTE 12. LONG-TERM DEBT

2001 School Building & Site Bonds, Series B

During 2001, the District issued \$2,760,000 of QZAB bonds due in annual installments of \$900,000 to \$930,000 through May 1, 2015. The interest rate is 0%.

2006 Refunding Bonds

During 2006, the District refunded \$6,680,000 of serial bonds due in annual installments of \$20,000 to \$455,000 through May 1, 2026. The interest rate varies from 4.0% to 5.0%.

Woodlawn Special Assessment Debt

The Woodlawn Special Assessment Debt was assessed for the sewer services to property owned by the School District. Principal is due each August 28th through 2014 in the amount of \$2,865 plus interest at 6.3864%.

Durant Bonds

The District elected to receive the balance of the settlement by participating in the bonding program. Consequently, the District borrowed from the School Loan Bond Fund and will make the annual principal and interest payments from the annual appropriation from the State of Michigan. The bonds are the obligation of the District and are recorded in the District-wide financial statements. The State of Michigan is the only revenue source for making the annual debt service payments on the bonds. However, if the legislature fails to appropriate the funds, the District is under no obligation for payment.

Restrictions on the use of these funds is stated in the Revised School Code Part 17, Sections 1351 and include the following: school buses, electronic instructional material and software, textbooks, technology, infrastructure or infrastructure improvement, school security, training for technology, or to reduce or eliminate certain voter-approved debt.

For the terms of the bonds, see the bond payment schedule included in this report.

Summary of Long-term Debt Transactions

The changes in long-term debt during the current fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Less: Current Portion	Total due after one year
Compensated abs	\$ 160,800	\$ 43,733	\$ -	\$ 204,533	\$ -	\$ 204,533
2001 Bond - Series B	2,760,000	-	(900,000)	1,860,000	930,000	930,000
2006 Refunding Bond	6,220,000	-	(395,000)	5,825,000	410,000	5,415,000
Durant Bonds	9,490	-	(9,490)	-	-	-
Woodlawn	5,730	-	(2,865)	2,865	2,865	-
Total	\$ 9,156,020	\$ 43,733	\$(1,307,355)	\$ 7,892,398	\$ 1,342,865	\$ 6,549,533

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2013, are shown in the Schedule of Long-term Debt.

NOTE 13. FUND BALANCE

Fund balance for the General Fund and Food Service Fund are deemed non-spendable for inventory and prepaid expenses. Fund balance in the Debt Service Fund is restricted for debt service. Fund balance in the Capital Projects Fund is restricted for capital outlay. Fund balance in the Food Service Fund is restricted for food service.

NOTE 14. EMPLOYEE RETIREMENT SYSTEM

Plan Description - The District participates in the statewide Michigan Public School Employees' Retirement System (System) which 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 System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111. It is also available at <http://www.michigan.gov/orsschools>. The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget.

Introduction

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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 hybrid 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.

Pension Reform

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members a voluntary election regarding their pension if they first became a member before July 1, 2010 and earned service credit in the 12 months ending September 3, 2012. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012, subsequently amended to February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Option 1

Members voluntarily elected to increase their contributions to the pension fund and retain the 1.5% pension factor in their pension formula. Basic Plan members were to contribute 4% and MIP (Fixed, Graded and Plus) members

Clare Public School District
Notes to the Financial Statements
June 30, 2013

were to contribute 7%. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

Option 2

Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3

Members voluntarily elected maintain their current level of contribution to the pension fund and therefore not increase their contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4

Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution (DC) plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their *total* years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

Non-electing Members

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

New Members

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus hybrid plan described above and a Defined Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period to elect to opt out of the Pension Plus hybrid plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus hybrid plan. If they elect to opt out of the Pension Plus hybrid plan, their participation in the DC plan will be retroactive to their date of hire.

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable,

the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% up to 1% of the employee's contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS were equal to the required contribution for those years.

The District's contributions to MPSERS were \$1,826,359 for the year ending June 30, 2013, \$1,647,904 for the year ending June 30, 2012 and \$1,392,618 for the year ending June 30, 2011.

Included in the amounts paid above, the District received \$133,354 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2013.

Other Postemployment Benefits

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

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

The District is not responsible for the payment of retirement or post-retirement benefits which is the responsibility of the State of Michigan.

NOTE 15. POST-EMPLOYMENT BENEFITS

Plan Description

The School District provides another post-employment benefit (OPEB), in accordance with contractual language, to all teaching, support, and qualifying administrative personnel who retire with 10 years of service to the School

Clare Public School District
Notes to the Financial Statements
June 30, 2013

District. The School District will pay \$10,000 per retiring teacher up to a maximum of five (5) in any one fiscal year. The School District will pay \$10,000 per retiring administrator with 10 years of service. The School District also pays retiring support personnel, excluding maintenance, custodial and transportation personnel, \$100 to \$200 per year of service for personnel with 10 years of service. Retiring maintenance and custodial personnel receive \$100 to \$175 per year of service for personnel with 10 years of service. Retiring transportation personnel receive \$50 to \$175 per year of service for personnel with 10 years of service.

Funding Policy

The required contribution is funded on a cash basis.

Annual OPEB Cost and net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Description	Amount
OPEB obligation – beginning of year	\$ 336,527
Increase (decrease) in net OPEB obligation	(25,842)
OPEB obligation – end of year	\$ 310,685

Funded Status and Funding Progress

As of June 30, 2013, unfunded actuarial accrued liability (UAAL) for benefits was \$310,685, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include years until retirement, turnover rate and discount percentage. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District 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 plans members to that point. The 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.

The following simplifying assumptions were made:

Turnover – Historical average retirement age for the covered groups and probability that active members would remain employed until the assumed retirement criteria were met were both used to develop an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Benefit growth rate – Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 5.5% was used.

NOTE 16. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in

the SET/SEG risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The District has purchased commercial insurance for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 17. TRANSFERS

The general fund transferred \$62,500 to the capital projects fund for projects to be determined in the 2012-13 year.

The capital projects fund transferred \$159,888 to the general fund for new district-wide telephone system.

NOTE 18. CHANGE IN ACCOUNTING PRINCIPLE

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The Statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new format to certain financial statements to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, when applicable.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items previously reported as assets and liabilities as outflows of resources and inflows of resources.

These statements impact the format and reporting of amounts in the statement of net position and the balance sheet at the government-wide level and the fund level, respectively.

NOTE 19. UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULES



Clare Public Schools
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance -
	Original	Final		Actual to Final Budget
Revenues				
Local sources	\$ 1,847,786	\$ 1,807,995	\$ 1,837,956	\$ 29,961
State sources	9,635,780	10,044,839	10,061,651	16,812
Federal sources	834,079	1,079,121	1,095,121	16,000
Total revenues	<u>12,317,645</u>	<u>12,931,955</u>	<u>12,994,728</u>	<u>62,773</u>
Expenditures				
Instruction				
Basic programs	6,799,395	6,995,504	6,914,496	81,008
Added needs	1,876,066	1,917,422	1,869,380	48,042
Adult / continuing education	35,130	83,602	75,608	7,994
Total instruction	<u>8,710,591</u>	<u>8,996,528</u>	<u>8,859,484</u>	<u>137,044</u>
Support services				
Pupil	458,170	527,041	520,288	6,753
Instructional staff	160,474	356,523	331,948	24,575
General administration	311,054	317,871	299,690	18,181
School administration	698,526	703,444	694,623	8,821
Business services	397,898	308,493	313,340	(4,847)
Operation and maintenance	1,156,164	1,320,775	1,261,851	58,924
Pupil transportation	355,073	397,398	365,741	31,657
Central	440,510	497,664	476,650	21,014
Athletics	294,880	299,899	296,717	3,182
Total support services	<u>4,272,749</u>	<u>4,729,108</u>	<u>4,560,848</u>	<u>168,260</u>
Community services	24,171	38,362	21,443	16,919
Debt service	13,356	13,356	13,356	-
Other	94,500	31,394	37,631	(6,237)
Total expenditures	<u>13,115,367</u>	<u>13,808,748</u>	<u>13,492,762</u>	<u>315,986</u>
Excess (deficiency) of revenues over expenditures	(797,722)	(876,793)	(498,034)	378,759
Other financing sources (uses)				
Operating transfers in	159,888	159,888	159,888	-
Operating transfers (out)	(62,500)	(62,500)	(62,500)	-
Excess (deficiency) of revenues and other sources over expenditures	(700,334)	(779,405)	(400,646)	378,759
Fund balances - beginning	1,650,227	1,650,227	1,650,227	-
Prior period adjustment	-	-	-	-
Fund balances - ending	<u>\$ 949,893</u>	<u>\$ 870,822</u>	<u>\$ 1,249,581</u>	<u>\$ 378,759</u>

Clare Public Schools
 Budgetary Comparison Schedule for the Food Service Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance -
	Original	Final		Actual to Final Budget
Revenues				
Local sources	\$ 185,200	\$ 168,116	\$ 168,881	\$ 765
State sources	21,800	29,115	29,116	1
Federal sources	383,000	358,083	355,990	(2,093)
Total revenues	<u>590,000</u>	<u>555,314</u>	<u>553,987</u>	<u>(1,327)</u>
Expenditures				
Food service	<u>590,000</u>	<u>559,621</u>	<u>558,670</u>	<u>951</u>
Excess (deficiency) of revenues over expenditures	-	(4,307)	(4,683)	(376)
Fund balances - beginning	<u>171,212</u>	<u>171,212</u>	<u>171,212</u>	<u>-</u>
Fund balances - ending	<u>\$ 171,212</u>	<u>\$ 166,905</u>	<u>\$ 166,529</u>	<u>\$ (376)</u>

OTHER SUPPLEMENTAL INFORMATION



Clare Public Schools
 General Fund
 Statement of Revenues
 For the Year Ended June 30, 2013

Local sources	
Property taxes	\$ 1,550,392
Tuition	21,940
Transportation fees	54,826
Earnings on investments and deposits	1,587
Revenue from student activities	73,681
Revenue from community service activities	31,767
Other local revenues	103,763
Total local sources	<u>1,837,956</u>
State sources	
General state aid	9,061,625
Categorical:	
Special education	205,386
Adult education	34,224
At risk	358,342
Data collection	37,563
Performance based funding	61,258
State aid tech infrastructure	15,400
Vocational education	13,753
MPSERS UAAL Stabilization	133,320
MPSERS Cost Offset	140,780
Total state sources	<u>10,061,651</u>
Federal sources	
Title I	497,674
Edujobs	-
Special education flowthrough	391,953
Title II	95,187
Title VI	30,493
Adult education WIA grant	73,379
McKinney Vento	2,005
Medicaid Outreach	4,430
Total federal sources	<u>1,095,121</u>
Incoming transfers and other transactions	
Transfer from capital projects fund	<u>159,888</u>
Total incoming transfers and other transactions	159,888
Total general fund revenues	<u><u>\$ 13,154,616</u></u>

Clare Public Schools
 General Fund
 Statement of Expenditures
 For the Year Ended June 30, 2013

Instruction

Basic programs

Elementary

Salaries	\$ 1,614,793
Employee benefits	951,845
Purchased services	47,519
Supplies, materials and other	110,355
Total elementary	2,724,512

Middle/junior high

Salaries	1,333,864
Employee benefits	744,938
Purchased services	38,857
Supplies, materials and other	23,260
Total middle school	2,140,919

High school

Salaries	1,251,320
Employee benefits	694,106
Purchased services	55,721
Supplies, materials and other	45,431
Total high school	2,046,578

Readiness program

Supplies, materials and other	2,487
Total readiness program	2,487

Total basic programs

6,914,496

Added needs

Special education

Salaries	547,256
Employee benefits	354,841
Purchased services	9,688
Supplies, materials and other	3,837
Total special education	915,622

Title I

Salaries	150,086
Employee benefits	122,475
Supplies, materials and other	35,109
Total Title I	307,670

At risk

Salaries	176,006
Employee benefits	76,097
Supplies, materials and other	18,923
Total at risk	271,026

Clare Public Schools
 General Fund
 Statement of Expenditures
 For the Year Ended June 30, 2013

Instruction (continued)

Added needs (continued)

Title VI

Salaries	\$ 1,134
Employee benefits	375
Total at risk	1,509

Vocational education

Salaries	138,430
Employee benefits	80,390
Purchased services	140,980
Supplies, materials and other	13,753
Total vocational education	373,553

Total added needs

1,869,380

Adult / continuing education

Adult education program

Salaries	40,156
Employee benefits	14,894
Purchased services	515
Supplies, materials and other	20,043
Total adult / continuing education	75,608

Total instruction

8,859,484

Support services

Pupil services

Guidance services

Salaries	160,133
Employee benefits	85,992
Purchased services	168
Supplies, materials and other	1,417
Total guidance services	247,710

School Nurse

Salaries	17,600
Employee benefits	11,351
Purchased services	2,901
Supplies, materials and other	405
Total school nurse	32,257

Social Worker

Salaries	91,244
Employee benefits	28,434
Purchased services	185
Total social worker	119,863

Clare Public Schools
General Fund
Statement of Expenditures
For the Year Ended June 30, 2013

Support services (continued)

Pupil services (continued)

Other pupil services

Salaries	\$	120,458
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Total other pupil services		120,458
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Total pupil services		520,288
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Instructional staff

Improvement of instruction

Salaries		56,680
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Employee benefits		31,416
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Purchased services		32,590
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Supplies, materials and other		350
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Total improvement of instruction		121,036
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Educational media services

Salaries		55,281
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Employee benefits		43,679
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Purchased services		400
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Supplies, materials and other		10,149
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Total educational media services		109,509
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Instruction related technology

Supplies, materials and other		36,766
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Total instruction related technology		36,766
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Supervision and direction of instructional staff

Salaries		36,895
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Employee benefits		27,362
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Purchased services		380
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Total supervision and direction of instructional staff		64,637
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Total instructional staff

		331,948
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General administration

Board of education

Purchased services		67,527
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Supplies, materials and other		6,628
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Total board of education		74,155
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Executive administration

Salaries		135,597
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Employee benefits		75,480
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Supplies, materials and other		14,458
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Total executive administration		225,535
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Total general administration

		299,690
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Clare Public Schools
General Fund
Statement of Expenditures
For the Year Ended June 30, 2013

Support services (continued)

School administration	
Offices of the principals	
Salaries	\$ 429,119
Employee benefits	251,886
Purchased services	3,687
Supplies, materials and other	6,841
Total offices of the principals	<u>691,533</u>
Other school administration	
Supplies, materials and other	<u>3,090</u>
Total other school administration	<u>3,090</u>
Total school administration	694,623
Business services	
Fiscal services	
Salaries	104,178
Employee benefits	68,839
Purchased services	25,641
Supplies, materials and other	3,849
Total fiscal services	<u>202,507</u>
Other business services	
Workmen's compensation	12,552
Insurances	57,179
Interest	19,938
Taxes abated and written off	21,164
Total other business services	<u>110,833</u>
Total business services	<u>313,340</u>
Operation and maintenance	
Salaries	367,645
Employee benefits	146,739
Purchased services	83,284
Supplies, materials and other	664,183
Total operation and maintenance	<u>1,261,851</u>
Pupil transportation	
Salaries	174,202
Employee benefits	65,743
Purchased services	11,438
Supplies, materials and other	114,358
Total pupil transportation	<u>365,741</u>

Clare Public Schools
General Fund
Statement of Expenditures
For the Year Ended June 30, 2013

Support services (continued)

Central	
Salaries	\$ 51,488
Employee benefits	17,724
Purchased services	223,529
Supplies, materials and other	30,385
Capital outlay	153,524
Total central	<u>476,650</u>

Athletics	
Salaries	91,722
Employee benefits	36,350
Purchased services	52,294
Supplies, materials and other	116,351
Total athletics	<u>296,717</u>

Total support services	<u>4,560,848</u>
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Community services

Community services direction	
Salaries	7,046
Employee benefits	5,812
Supplies, materials and other	402
Total community services direction	<u>13,260</u>

Community activities	
Supplies, materials and other	1,822
Total community activities	<u>1,822</u>

Non-public school pupils	
Salaries	3,880
Employee benefits	297
Purchased services	1,281
Supplies, materials and other	903
Total community services direction	<u>6,361</u>

Total community services	<u>21,443</u>
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Outgoing transfers and other transactions

Transfers to construction fund	62,500
Special education billback	36,238
Durant	9,942
Woodlawn special assessment	3,414
Other	1,393
Total outgoing transfers and other transactions	<u>113,487</u>

Total general fund expenditures	<u>\$ 13,555,262</u>
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Clare Public Schools
Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013

Revenues

Local sources		
Student lunches	\$	75,993
Adult lunches		4,931
Ala-carte		60,932
Interest		540
Catering		23,838
Other local sources		2,647
Total local sources		<u>168,881</u>
State sources		
School lunch program		29,116
Federal sources		
National school lunch program		319,906
USDA donated commodities		36,084
Total federal sources		<u>355,990</u>
Total revenues		553,987
Expenditures		
Salaries		141,371
Purchased services		150,413
Supplies, materials and other		266,886
Total expenditures		<u>558,670</u>
Excess (deficiency) of revenues over expenditures		(4,683)
Fund balances - beginning		<u>171,212</u>
Fund balances - ending	\$	<u><u>166,529</u></u>

Clare Public Schools
 Capital Project Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended June 30, 2013

	<u>Capital Investment</u>	<u>Pioneer Development</u>	<u>Total</u>
Revenues			
Local sources	\$ 47	\$ 707,057	\$ 707,104
Expenditures			
Supplies, materials and other	-	4,102	4,102
Excess (deficiency) of revenues and other sources over expenditures	47	702,955	703,002
Other financing sources (uses)			
Operating transfers in	62,500	-	62,500
Operating transfers (out)	(159,888)	-	(159,888)
Excess (deficiency) of revenues and other sources over expenditures	(97,341)	702,955	605,614
Fund balances - beginning	181,457	27,601	209,058
Fund balances - ending	<u>\$ 84,116</u>	<u>\$ 730,556</u>	<u>\$ 814,672</u>

Clare Public Schools
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013

Revenues	<u>2011 & 2010</u> Bonds	<u>2011 QZAB</u> Issue	<u>Total</u>
Local sources			
Property tax	\$ 654,912	\$ 166,529	\$ 821,441
Interest on investments	88	58,678	58,766
Other revenue	-	-	-
Total local sources	<u>655,000</u>	<u>225,207</u>	<u>880,207</u>
 Total revenues	 <u>655,000</u>	 <u>225,207</u>	 <u>880,207</u>
 Expenditures			
Outgoing transfers and other transactions			
Principal	395,000	900,000	1,295,000
Interest	257,200	-	257,200
Other fees and charges	766	68	834
 Total expenditures	 <u>652,966</u>	 <u>900,068</u>	 <u>1,553,034</u>
 Excess (deficiency) of revenues over expenditures	 2,034	 (674,861)	 (672,827)
 Fund balances - beginning	 <u>141,855</u>	 <u>2,156,131</u>	 <u>2,297,986</u>
 Fund balances - ending	 <u>\$ 143,889</u>	 <u>\$ 1,481,270</u>	 <u>\$ 1,625,159</u>

Clare Public Schools
Schedule of Long-Term Debt
For the Year Ended June 30, 2013

Fiscal Year Maturity Date	Interest Rate (%)	Annual Principal Due	Annual Interest Due	Total
2006 Refunding Bonds				
<i>Refunded Portion of the original \$8,890,000 Bonds.</i>				
<i>Original Issue Amount: \$6,680,000</i>				
Due May & Nov 15,				
2014	5.00	\$ 410,000	\$ 241,400	\$ 651,400
2015	5.00	430,000	220,900	650,900
2016	4.00	450,000	199,400	649,400
2017	4.00	450,000	181,400	631,400
2018	4.00	450,000	163,400	613,400
2019	4.00	450,000	145,400	595,400
2020	4.00	455,000	127,400	582,400
2021	4.00	455,000	109,200	564,200
2022	4.00	455,000	91,000	546,000
2023	4.00	455,000	72,800	527,800
2024	4.00	455,000	54,600	509,600
2025	4.00	455,000	36,400	491,400
2026	4.00	455,000	18,200	473,200
		<u>\$ 5,825,000</u>	<u>\$ 1,661,500</u>	<u>\$ 7,486,500</u>
Woodlawn Special Assessment Debt				
<i>Original Issue Amount: \$32,750</i>				
2014	6.3864	\$ 2,865	\$ 183	\$ 3,048
		<u>\$ 2,865</u>	<u>\$ 183</u>	<u>\$ 3,048</u>

Clare Public Schools
Schedule of Long-Term Debt
For the Year Ended June 30, 2013

Fiscal Year Maturity Date	Interest Rate (%)	Annual Principal Due	Interest	Total
2001 School Building & Site Bonds, Series B				
<i>Qualified Zone Academy Bonds (QZAB)</i>				
<i>Original Issue Amount: \$2,760,000</i>				
2014	NA	\$ 930,000	\$ -	\$ 930,000
2015	NA	930,000	-	930,000
		<u>\$ 1,860,000</u>	<u>-</u>	<u>\$ 1,860,000</u>

Note:

As a condition of the Purchaser purchasing the QZAB Bonds, the Issuer covenants to deposit in a "set aside account" (escrow account) the following amounts for the payment of the Bonds, to be held by the Paying agent, on May 1st for each of the years shown below:

Fiscal Year	Annual Required Deposit
2002	\$ 167,000
2003	167,000
2004	167,000
2005	167,000
2006	167,000
2007	167,000
2008	167,000
2009	167,000
2010	167,000
2011	167,000
2012	167,000
2013	167,000
2014	167,000
2015	167,000
	<u>\$ 2,338,000</u>

Clare Public Schools
Schedule of Long-Term Debt
For the Year Ended June 30, 2013

Fiscal Year	Annual Principal	Annual Interest	Total
Summary			
2014	\$ 1,342,865	\$ 241,583	\$ 1,584,448
2015	1,360,000	220,900	1,580,900
2016	450,000	199,400	649,400
2017	450,000	181,400	631,400
2018	450,000	163,400	613,400
2019	450,000	145,400	595,400
2020	455,000	127,400	582,400
2021	455,000	109,200	564,200
2022	455,000	91,000	546,000
2023	455,000	72,800	527,800
2024	455,000	54,600	509,600
2025	455,000	36,400	491,400
2026	455,000	18,200	473,200
	<u>\$ 7,687,865</u>	<u>\$ 1,661,683</u>	<u>\$ 9,349,548</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Clare, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clare Public Schools (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." in a cursive script.

Roslund, Prestage & Company, P.C.
October 8, 2013