

CLARE PUBLIC SCHOOL DISTRICT
Clare, Michigan

Financial Statements
With Supplemental Information
June 30, 2014



Clare Public School District
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June 30, 2014

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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, 2014, 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, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 August 26, 2014 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 above the typed name of the firm.

Roslund, Prestage & Company, P.C.

August 26, 2014

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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, 2014.

Financial Highlights

The School District's net position increased \$151,771 or 2.1%. Program revenues accounted for \$2.83 million or 19% of total revenues and general revenues accounted for \$12.0 million or 81%.

The General Fund reported a positive fund balance in excess of \$1.15 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 Funds, with all Debt funds presented in one column. The remaining statement, the statement of fiduciary net position, 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, 2014

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, 2014

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, 2014 and 2013:

	Governmental Activities	
Exhibit A	2014	2013
Assets		
Current and other assets	\$5,400,000	\$ 6,300,000
Capital assets - net of accumulated depreciation	12,000,000	11,700,000
Total assets	17,400,000	18,000,000
Liabilities		
Current liabilities	2,900,000	2,500,000
Long-term liabilities	7,000,000	8,200,000
Total liabilities	9,900,000	10,700,000
Net Assets		
Invested in property and equipment - net of related debt	5,200,000	3,700,000
Restricted	1,300,000	2,600,000
Unrestricted	1,000,000	1,000,000
Total net position	\$ 7,500,000	\$ 7,300,000

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

The preceding table focuses on net position (see Exhibit A). The School District's net position was \$7,500,000 at June 30, 2014. Capital assets, net of related debt totaling \$5,200,000, 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 \$1,000,000 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, 2014 and 2013.

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Exhibit B	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Revenue		
Program revenue:		
Charges for services	\$ 350,000	\$ 350,000
Grants and categoricals	2,480,000	2,480,000
General revenue:		
Property taxes	2,460,000	2,370,000
State foundation allowance	9,170,000	9,060,000
Other	<u>400,000</u>	<u>880,000</u>
Total revenue	<u>14,860,000</u>	<u>15,140,000</u>
Function/Program Expenses		
Instruction	7,880,000	8,680,000
Support services	4,300,000	4,560,000
Food services	580,000	560,000
Other Expenditures	1,080,000	70,000
Interest on long-term debt	240,000	270,000
Depreciation - unallocated	<u>630,000</u>	<u>560,000</u>
Total expenses	<u>14,710,000</u>	<u>14,700,000</u>
Prior Period Adjustment		-
Change in net position	<u>\$ 150,000</u>	<u>\$ 440,000</u>

CLARE PUBLIC SCHOOLS
 Management's Discussion and Analysis
For the Year Ended June 30, 2014

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$14.7 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 \$2.5 million in taxes, \$9.2 million in State Foundation Allowance and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position of \$150,000. The increase was due to the excess of revenues over expenditures. The increase 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 \$2.5 million, which is below last year's total of \$3.9 million. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	<u>Fund Balance</u> <u>June 30, 2014</u>	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Change</u>
General	\$ 1,158,487	\$ 1,249,581	\$ (91,094)
Special Revenue	177,012	166,529	10,483
Debt Service	915,630	1,625,159	(709,529)
Capital Projects	209,314	814,672	(605,358)
Total	<u>\$ 2,460,443</u>	<u>\$ 3,855,941</u>	<u>\$ (1,395,498)</u>

The School District completed this year with a combined fund balance decrease of \$1,395,498 from the previous year.

- The General Fund balance decreased by \$91,094 due to the planned use of fund balance. Overall, the General Fund activity was within 99 percent of budgeted revenues and expenditures.

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

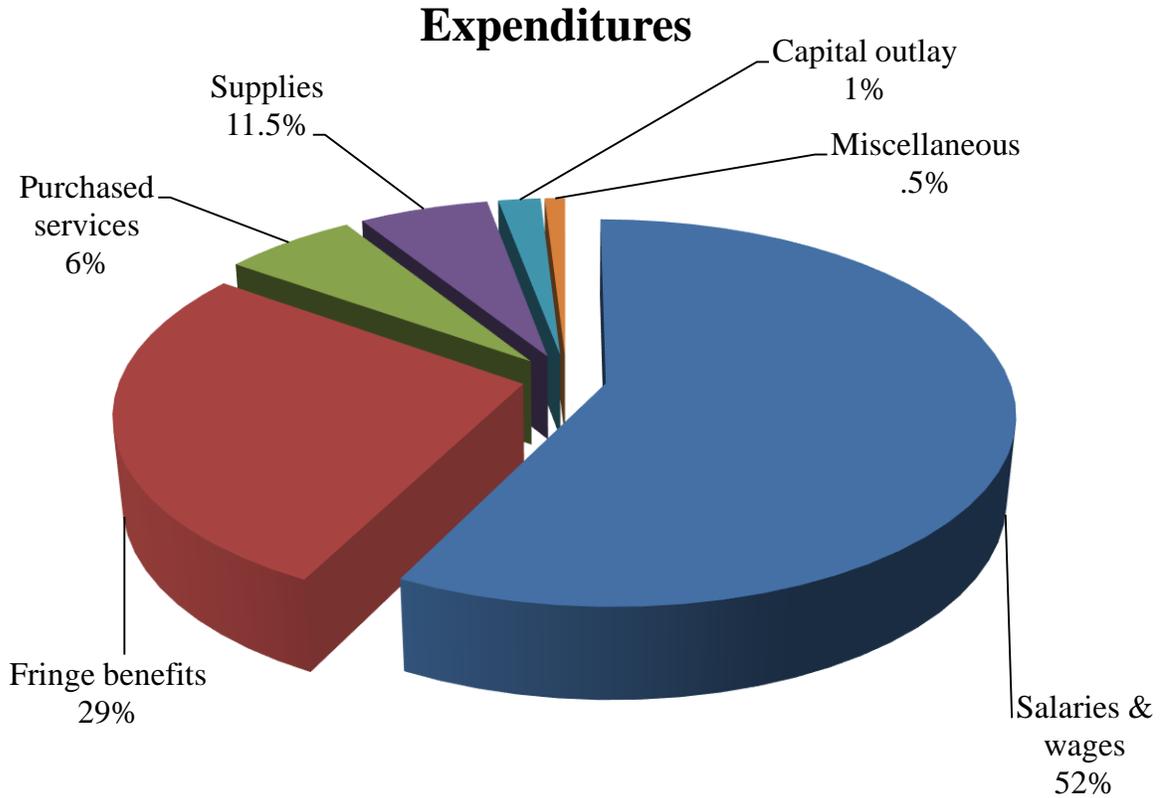
- Our Special Revenue Fund balance increased by \$10,483. Through normal operations, the Food Service Fund brought in \$10,483 more than it spent.

- Our Debt Service Funds' balances decreased by \$709,529, The decrease was mainly due to the second of three principal payments of \$930,000 made for the QZAB bonds.

- Our Capital Projects Funds' balances decreased by \$605,358. This decrease was the result of Brookwood 2.0 development (mainly the synthetic turf football field) paid for with fundraising done in the 2012-13 year.

CLARE PUBLIC SCHOOLS
 Management's Discussion and Analysis
For the Year Ended June 30, 2014

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>2014</u>	<u>2013</u>
Salaries and wages	\$ 6,979,384	\$ 7,156,213
Fringe benefits	3,909,222	3,937,065
Purchased services	859,070	1,062,079
Supplies	1,546,450	972,898
Capital outlay	113,636	313,520
Miscellaneous	46,370	50,987
Total	<u>\$13,454,132</u>	<u>\$13,492,762</u>

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Expenditures (not including transfers) are down \$38,630 or .3%. Salaries and wages have decreased by \$176,829 or 2.5%. This change is due to a year of no salary increases and the difference in salaries of several new staff verses retired staff the year before. Purchased services are down \$203,009. In 2013-14, there were few projects and no long term teacher or administrator sub expense. Supplies are up \$573,552. In 2013-14 there were \$168,000 in language arts curriculum purchases, two new buses were purchased for \$165,392, and the fire in the High School cost \$107,000 to repair (reimbursed by insurance). Capital Outlay is down \$199,884. A new phone system costing that amount was purchased in 2012-13.

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 \$202,990 more than the original budget, mainly due to the insurance reimbursement for the high school fire in the spring.
- The actual revenues were \$9,696 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 \$295,441 above the original budget. This was mainly due to the adding to the operations budget for the High School fire repair and the additional budgeting to purchase two buses.
- The actual expenditures were \$167,109 lower than the final budgeted expenditures. This was mainly due to slightly less spending in many areas including instruction, administration, and utilities.

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Capital Assets

At June 30, 2014, 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 increase (including additions and disposals) of \$282,897, or 2.4%, from last year.

	<u>2014</u>	<u>2013</u>
Land	\$ 298,976	\$ 298,976
Buildings and improvements	16,365,502	15,779,296
Buses and other vehicles	900,907	722,545
Furniture and equipment	<u>7,162,403</u>	<u>7,009,762</u>
 Total capital assets	 24,727,788	 23,810,579
 Less accumulated depreciation	 <u>12,766,365</u>	 <u>12,132,053</u>
 Net capital assets	 <u><u>\$ 11,961,423</u></u>	 <u><u>\$ 11,678,526</u></u>

This year's additions included \$717,862 for the new artificial turf football field and other Brookwood 2.0 improvements. Other additions were two new school buses costing \$165,362. 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 \$6,425,392 in bonds and loans outstanding versus \$7,685,000 in the previous year – a decrease of 16.4%. The decrease reflects principal payments made on the 2006 refunding bond and the 2001 QZAB bonds. The 2013 bus loan will be paid in two equal installments due August 31, 2014 and August 31, 2015.

	<u>2014</u>	<u>2013</u>
2006 Refunding Bonds	\$ 5,415,000	\$ 5,825,000
2001 Revenue Bonds	0	0
2001 QZAB Bonds	930,000	1,860,000
2013 Bus Loan	80,392	0
	0	
	<u><u>\$ 6,425,392</u></u>	<u><u>\$ 7,685,000</u></u>

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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 2014-15 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 2014-15 fiscal year budget was adopted in June 2014, based on an estimate of students that will be enrolled in October 2014. 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 2014-15 school year, we anticipate that the fall student count will meet the estimates used in creating the 2014-15 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, 2014

Assets

Current assets

Cash and cash equivalents	\$	2,891,359
Accounts receivable		11,866
Due from other governmental units		2,418,450
Inventory		3,184
Prepaid expenses		66,730
Total current assets		5,391,589

Noncurrent assets

Land		298,976
Capital assets less accumulated depreciation		11,662,447
Total noncurrent assets		11,961,423

Total assets

17,353,012

Liabilities

Current liabilities

Accounts payable		149,580
Due to other governmental units		411,915
Accrued interest on short-term note payable		14,240
Salaries payable		850,554
Unearned revenues		19,143
Short-term note payable		1,485,714
Accrued interest on long-term debt		13,806
Long-term obligations due within one year		1,399,889
Total current liabilities		4,344,841

Noncurrent liabilities

Long-term obligations due after one year		5,025,503
Compensated absences		219,221
Post-employment benefits		295,369
Total noncurrent liabilities		5,540,093

Total liabilities

9,884,934

Net position

Invested in capital assets, net of related debt		5,237,055
Restricted for:		
Debt service		915,630
Capital projects		209,314
Food service		177,012
Unrestricted		929,067
Total net position		\$ 7,468,078

Clare Public Schools
Statement of Activities
For the Year Ended June 30, 2014

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 7,882,064	\$ 10,058	\$ 2,069,342	\$ (5,802,664)
Support services	4,301,158	56,548	-	(4,244,610)
Food service	576,219	174,165	411,114	9,060
Community services	21,720	106,428	-	84,708
Athletics	284,983	-	-	(284,983)
Interest and fees on long-term debt	240,484	-	-	(240,484)
Other expenditures	766,521	-	-	(766,521)
Depreciation - unallocated	634,312	-	-	(634,312)
Total governmental activities	<u>\$ 14,707,461</u>	<u>\$ 347,199</u>	<u>\$ 2,480,456</u>	<u>(11,879,806)</u>
General revenues:				
Property taxes				2,458,600
State sources				9,173,628
Unrestricted interest and investment earnings				1,324
Restricted interest and investment earnings				39,457
Miscellaneous				358,568
Total general revenues				<u>12,031,577</u>
Change in net position				151,771
Net position - beginning				<u>7,316,307</u>
Net position - ending				<u>\$ 7,468,078</u>

FUND FINANCIAL STATEMENTS



Clare Public Schools
Balance Sheet - Governmental Funds
June 30, 2014

	Major Funds				Totals
	General	Food Service	Capital Projects	Debt Service	
Assets					
Cash and cash equivalents	\$ 1,633,054	\$ 121,461	\$ 221,214	\$ 915,630	\$ 2,891,359
Accounts receivable	11,866	-	-	-	11,866
Due from other governmental units	2,414,560	3,890	-	-	2,418,450
Inventory	-	3,184	-	-	3,184
Prepaid expenses	16,730	50,000	-	-	66,730
Total assets	<u>\$ 4,076,210</u>	<u>\$ 178,535</u>	<u>\$ 221,214</u>	<u>\$ 915,630</u>	<u>\$ 5,391,589</u>
Liabilities					
Accounts payable	\$ 137,584	\$ 96	\$ 11,900	\$ -	\$ 149,580
Due to other governmental units	411,915	-	-	-	411,915
Accrued interest	14,240	-	-	-	14,240
Salaries payable	850,554	-	-	-	850,554
Unearned revenues	17,716	1,427	-	-	19,143
Short term note payable	1,485,714	-	-	-	1,485,714
Total liabilities	<u>2,917,723</u>	<u>1,523</u>	<u>11,900</u>	<u>-</u>	<u>2,931,146</u>
Fund balance					
Non-spendable					
Inventory	-	3,184	-	-	3,184
Prepaid expenses	16,730	50,000	-	-	66,730
Restricted	-	123,828	209,314	898,747	1,231,889
Committed	-	-	-	16,883	16,883
Unassigned	1,141,757	-	-	-	1,141,757
Total fund balance	<u>1,158,487</u>	<u>177,012</u>	<u>209,314</u>	<u>915,630</u>	<u>2,460,443</u>
Total liabilities and fund balance	<u>\$ 4,076,210</u>	<u>\$ 178,535</u>	<u>\$ 221,214</u>	<u>\$ 915,630</u>	<u>\$ 5,391,589</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, 2014

Total fund balance - governmental funds		\$ 2,460,443
<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	\$ 24,727,788	
Deduct: Accumulated depreciation	<u>(12,766,365)</u>	
		11,961,423
<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>		
<p>Long-term debt obligations</p>		
Deduct: 2006 Refunding Bonds	(5,415,000)	
Deduct: 2001 School Building & Site Bonds, Series B	(930,000)	
Deduct: Woodlawn Special Assessment Debt	-	
Deduct: 2013 School Bus Loan	<u>(80,392)</u>	
		(6,425,392)
<p>Other long-term obligations</p>		
Deduct: Compensated absences payable		(219,221)
Deduct: Post-employment benefits		(295,369)
Deduct: Accrued interest on long-term liabilities		<u>(13,806)</u>
Total net position - governmental activities		<u>\$ 7,468,078</u>

Clare Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2014

	Major Funds				Totals
	General	Food Service	Capital Project	Debt Service	
Revenues					
Local sources	\$ 2,024,368	\$ 175,587	\$ 131,075	\$ 874,118	\$ 3,205,148
State sources	10,259,596	23,112	-	-	10,282,708
Federal sources	983,374	388,002	-	-	1,371,376
Total revenues	13,267,338	586,701	131,075	874,118	14,859,232
Expenditures					
Instruction					
Basic programs	6,894,517	-	-	-	6,894,517
Added needs	1,836,221	-	-	-	1,836,221
Adult / continuing education	69,163	-	-	-	69,163
Total instruction	8,799,901	-	-	-	8,799,901
Support services					
Pupil	531,283	-	-	-	531,283
Instructional staff	274,124	-	-	-	274,124
General administration	257,444	-	-	-	257,444
School administration	654,188	-	-	-	654,188
Business services	314,618	-	-	-	314,618
Operation and maintenance	1,162,188	-	-	-	1,162,188
Pupil transportation	549,903	-	-	-	549,903
Central	557,410	-	-	-	557,410
Total support services	4,301,158	-	-	-	4,301,158
Food service	-	576,219	-	-	576,219
Community services	21,720	-	-	-	21,720
Athletics	284,983	-	-	-	284,983
Debt service					
Principal payments	2,865	-	-	1,340,000	1,342,865
Interest, fees and other	366	-	-	241,400	241,766
Other	43,139	-	721,133	2,249	766,521
Total expenditures	13,454,132	576,219	721,133	1,583,649	16,335,133
Excess (deficiency) of revenues over expenditures	(186,794)	10,482	(590,058)	(709,531)	(1,475,901)
Other financing sources (uses)					
Transfers in	85,000	-	69,700	-	154,700
Transfers (out)	(69,700)	-	(85,000)	-	(154,700)
Proceeds from bus loan	80,392	-	-	-	80,392
Excess (deficiency) of revenues and other sources over expenditures	(91,102)	10,482	(605,358)	(709,531)	(1,395,509)
Fund balances - beginning	1,249,589	166,530	814,672	1,625,161	3,855,952
Fund balances - ending	\$ 1,158,487	\$ 177,012	\$ 209,314	\$ 915,630	\$ 2,460,443

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, 2014

Net change in fund balances - total governmental funds	\$	(1,395,509)
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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	917,209
Deduct:	Depreciation expense	(634,312)

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	410,000
Add:	2001 School Building & Site Bonds, Series B	930,000
Add:	Woodlawn Special Assessment Debt	2,865
Less:	Proceeds from bus loan	(80,392)

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	(14,688)
Add:	Decrease in accrual for other post-employment benefits	15,316
Add:	Decrease in accrued interest on long term debt	1,282

Change in net position - governmental activities	\$	151,771
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Clare Public Schools
 Fiduciary Funds - Statement of Net Position
 For the Year Ended June 30, 2014

	Private Purpose Trust	Agency Fund
Assets		
Cash and cash equivalents	\$ 25,000	\$ 172,718
Liabilities		
Due to student and other groups	-	172,718
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, 2014

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:

- 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.

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.

Budgetary Data

Budgets are adopted by the District for the general and food service 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 District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 3.50 mills on all property in the District for the purpose of debt service.

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

Clare Public School District
Notes to the Financial Statements
June 30, 2014

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

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, 2014, the amount of \$219,221 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

The District has 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:

- 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.

Clare Public School District
Notes to the Financial Statements
June 30, 2014

- 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 to June 30, 2014.

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	1,734,813
State Investment Pool – MILAF	1,155,646
Total	\$ 2,891,359

Deposits with Financial Institutions

At year-end, the carrying amount of the District's deposits was \$2,891,357 and the bank balance was \$3,060,818. 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, 2014, 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	\$ 952,641	0.0027	AAAm	82.4
MILAF External Investment pool-MIMAX	203,005	0.0027	AAAm	17.6
Total fair value	\$ 1,155,646			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 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

Clare Public School District
Notes to the Financial Statements
June 30, 2014

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	\$ 47,715
Clare-Gladwin RESD	167,802
State of Michigan – State Aid	1,850,518
State of Michigan – UAAL Stabilization	348,525
Hot Lunch Fund:	
State of Michigan – State Aid	3,890
Totals	\$ 2,418,450

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, 2014

NOTE 7. CAPITAL ASSETS

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

Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 298,977	\$ -	\$ -	\$ 298,977
Buildings & improvements	15,779,296	586,206	-	16,365,502
Furniture and equipment	7,035,482	152,641	-	7,188,123
Vehicles	696,824	178,362	-	875,186
Total Capital Assets	23,810,579	917,209	-	24,727,788
Accumulated Depreciation				
Buildings & improvements	(5,577,869)	(286,890)	-	(5,864,760)
Furniture and equipment	(5,883,094)	(314,680)	-	(6,197,774)
Vehicles	(671,089)	(32,742)	-	(703,831)
Total Accumulated Depreciation	(12,132,053)	(634,312)	-	(12,766,365)
Net Capital Assets	\$ 11,678,526	\$ 282,897	\$ -	\$ 11,961,423

Depreciation for the year ended June 30, 2014 totaled \$ 634,312. 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	\$ 13,806

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	\$ 17,716
Food Service Fund	1,427
Total	\$ 19,143

NOTE 11. SHORT-TERM NOTE PAYABLE

On August 20, 2013, 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, 2014

school operations. The interest rates are stated at 0.4%. These notes are payable at maturity on August 20, 2014. The balances of these loans are shown as a current liability (less set asides) in the General Fund.

On August 20, 2014 (after the end of the current fiscal year), the District borrowed \$1,700,000 in three notes (\$800,000, \$630,000 and \$770,000) 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 0.42%, 1.235%, and 1.05% respectively. These notes are payable at maturity on July 20, 2015, August 20, 2015 and August 20, 2015 respectively. 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%.

2013 School Bus Loan

During 2013, the District obtained a loan from Firstbank to cover \$80,392 of the cost for two new buses. Annual payments of \$41,077 are due on August 31, 2014 and August 31, 2015. This payment amount includes interest at 1.40%.

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	Due within one year	Due after one year
Compensated abs	\$ 204,533	\$ 14,688	\$ -	\$ 219,221	\$ -	\$ 219,221
2001 Bond - Series B	1,860,000	-	(930,000)	930,000	930,000	-
2006 Refunding Bond	5,825,000	-	(410,000)	5,415,000	430,000	4,985,000
2013 Bus Loan	-	80,392	-	80,392	39,889	40,503
Woodlawn	2,865	-	(2,865)	-	-	-
Total	\$ 7,892,398	\$ 95,080	\$(1,342,865)	\$ 6,644,613	\$ 1,399,889	\$ 5,244,724

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2014, 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 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

Clare Public School District
Notes to the Financial Statements
June 30, 2014

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 \$2,021,364 for the year ending June 30, 2014, \$1,826,359 for the year ending June 30, 2013 and \$1,647,904 for the year ending June 30, 2012.

Included in the amounts paid above, the District received \$348,525 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, 2014.

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 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.

Clare Public School District
Notes to the Financial Statements
June 30, 2014

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	\$ 310,685
Increase (decrease) in net OPEB obligation	(15,316)
OPEB obligation – end of year	\$ 295,369

Funded Status and Funding Progress

As of June 30, 2014, unfunded actuarial accrued liability (UAAL) for benefits was \$295,369, 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 \$69,700 to the capital projects fund for future projects, including tennis court repairs and future football field replacement.

The capital projects fund transferred \$85,000 to the general fund for the purchase of a new bus.

NOTE 18. 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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local sources	\$ 1,804,033	\$ 2,006,617	\$ 2,024,368	\$ 17,751
State sources	10,274,582	10,258,451	10,259,596	1,145
Federal sources	976,037	992,574	983,374	(9,200)
Total revenues	<u>13,054,652</u>	<u>13,257,642</u>	<u>13,267,338</u>	<u>9,696</u>
Expenditures				
Instruction				
Basic programs	6,885,081	6,904,564	6,894,517	10,047
Added needs	1,803,741	1,865,104	1,836,221	28,883
Adult / continuing education	86,767	79,744	69,163	10,581
Total instruction	<u>8,775,589</u>	<u>8,849,412</u>	<u>8,799,901</u>	<u>49,511</u>
Support services				
Pupil	515,010	532,176	531,283	893
Instructional staff	280,823	292,364	274,124	18,240
General administration	312,769	297,501	257,444	40,057
School administration	667,097	655,268	654,188	1,080
Business services	363,242	336,939	314,618	22,321
Operation and maintenance	1,153,123	1,187,712	1,162,188	25,524
Pupil transportation	445,602	553,299	549,903	3,396
Central	462,270	565,425	557,410	8,015
Athletics	290,674	283,396	284,983	(1,587)
Total support services	<u>4,490,610</u>	<u>4,704,080</u>	<u>4,586,141</u>	<u>117,939</u>
Community services	21,401	23,518	21,720	1,798
Debt service	3,048	3,231	3,231	-
Other	35,152	41,000	43,139	(2,139)
Total expenditures	<u>13,325,800</u>	<u>13,621,241</u>	<u>13,454,132</u>	<u>167,109</u>
Excess (deficiency) of revenues over expenditures	(271,148)	(363,599)	(186,794)	176,805
Other financing sources (uses)				
Transfers in	56,406	85,000	85,000	-
Transfers (out)	(74,500)	(81,700)	(69,700)	12,000
Proceeds from bus loan	-	80,392	80,392	-
Excess (deficiency) of revenues and other sources over expenditures	(289,242)	(279,907)	(91,102)	188,805
Fund balances - beginning	<u>1,249,589</u>	<u>1,249,589</u>	<u>1,249,589</u>	<u>-</u>
Fund balances - ending	<u>\$ 960,347</u>	<u>\$ 969,682</u>	<u>\$ 1,158,487</u>	<u>\$ 188,805</u>

Clare Public Schools
 Budgetary Comparison Schedule for the Food Service Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local sources	\$ 168,000	\$ 174,035	\$ 175,587	\$ 1,552
State sources	27,000	23,112	23,112	-
Federal sources	364,688	375,138	388,002	12,864
Total revenues	<u>559,688</u>	<u>572,285</u>	<u>586,701</u>	<u>14,416</u>
Expenditures				
Food service	<u>571,688</u>	<u>562,315</u>	<u>576,219</u>	<u>(13,904)</u>
Excess (deficiency) of revenues over expenditures	(12,000)	9,970	10,482	512
Fund balances - beginning	<u>166,530</u>	<u>166,530</u>	<u>166,530</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 154,530</u></u>	<u><u>\$ 176,500</u></u>	<u><u>\$ 177,012</u></u>	<u><u>\$ 512</u></u>

OTHER SUPPLEMENTAL INFORMATION



Clare Public Schools
 General Fund
 Statement of Revenues
 For the Year Ended June 30, 2014

Local sources

Property taxes	\$ 1,623,399
Tuition	10,058
Transportation fees	56,548
Earnings on investments and deposits	1,324
Revenue from student activities	79,742
Revenue from community service activities	26,686
Other local revenues	226,611
Total local sources	2,024,368

State sources

General state aid	9,173,628
Categorical:	
Special education	122,235
Adult education	75,482
At risk	311,582
Data collection	37,840
Performance based funding	61,094
State aid tech infrastructure	15,316
Vocational education	19,696
MPSERS UAAL Stabilization	348,525
MPSERS Cost Offset	94,198
Total state sources	10,259,596

Federal sources

Title I	397,131
Edujobs	-
Special education flowthrough	385,151
Title II	94,524
Title VI	31,900
Adult education WIA grant	70,430
McKinney Vento	593
Medicaid Outreach	3,645
Total federal sources	983,374

Incoming transfers and other transactions

Proceeds from bus loan	80,392
Transfer from capital projects fund	85,000
Total incoming transfers and other transactions	165,392

Total general fund revenues	\$ 13,432,730
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Clare Public Schools
 General Fund
 Statement of Expenditures
 For the Year Ended June 30, 2014

Instruction

Basic programs

Elementary

Salaries	\$ 1,629,481
Employee benefits	967,145
Purchased services	40,567
Supplies, materials and other	104,682
Total elementary	2,741,875

Middle/junior high

Salaries	1,244,949
Employee benefits	711,806
Purchased services	15,267
Supplies, materials and other	88,056
Total middle school	2,060,078

High school

Salaries	1,207,192
Employee benefits	684,189
Purchased services	67,968
Supplies, materials and other	131,323
Total high school	2,090,672

Readiness program

Supplies, materials and other	1,892
Total readiness program	1,892

Total basic programs

6,894,517

Added needs

Special education

Salaries	504,059
Employee benefits	326,826
Purchased services	15,497
Supplies, materials and other	4,462
Total special education	850,844

Title I

Salaries	204,261
Employee benefits	138,786
Supplies, materials and other	17,054
Total Title I	360,101

At risk

Salaries	163,083
Employee benefits	77,223
Supplies, materials and other	1,804
Total at risk	242,110

Clare Public Schools
 General Fund
 Statement of Expenditures
 For the Year Ended June 30, 2014

Instruction (continued)

Added needs (continued)

Title VI

Salaries	\$ 2,496
Employee benefits	924
Total at risk	3,420

Vocational education

Salaries	137,060
Employee benefits	79,540
Purchased services	143,450
Supplies, materials and other	19,696
Total vocational education	379,746

Total added needs

1,836,221

Adult / continuing education

Adult education program

Salaries	39,244
Employee benefits	18,046
Purchased services	2,724
Supplies, materials and other	9,149
Total adult / continuing education	69,163

Total instruction

8,799,901

Support services

Pupil services

Guidance services

Salaries	147,718
Employee benefits	89,289
Purchased services	241
Supplies, materials and other	2,056
Total guidance services	239,304

School Nurse

Salaries	20,200
Employee benefits	13,196
Purchased services	2,589
Supplies, materials and other	482
Total school nurse	36,467

Social Worker

Salaries	93,043
Employee benefits	30,315
Supplies, materials and other	363
Total social worker	123,721

Clare Public Schools
General Fund
Statement of Expenditures
For the Year Ended June 30, 2014

Support services (continued)

Pupil services (continued)

Other pupil services

Salaries	\$ 131,791
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Total other pupil services	131,791
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Total pupil services	531,283
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Instructional staff

Improvement of instruction

Salaries	41,708
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Employee benefits	25,753
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Purchased services	28,811
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Total improvement of instruction	96,272
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Educational media services

Salaries	54,096
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Employee benefits	39,535
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Purchased services	465
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Supplies, materials and other	10,010
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Total educational media services	104,106
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Instruction related technology

Supplies, materials and other	8,000
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Total instruction related technology	8,000
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Supervision and direction of instructional staff

Salaries	33,242
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Employee benefits	27,700
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Purchased services	1,189
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Supplies, materials and other	3,615
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Total supervision and direction of instructional staff	65,746
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Total instructional staff

	274,124
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General administration

Board of education

Purchased services	41,329
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Supplies, materials and other	5,706
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Total board of education	47,035
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Executive administration

Salaries	132,812
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Employee benefits	67,754
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Purchased services	4,331
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Supplies, materials and other	5,512
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Total executive administration	210,409
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Total general administration

	257,444
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Clare Public Schools
General Fund
Statement of Expenditures
For the Year Ended June 30, 2014

Support services (continued)

School administration	
Offices of the principals	
Salaries	\$ 400,574
Employee benefits	241,326
Purchased services	4,345
Supplies, materials and other	5,466
Total offices of the principals	<u>651,711</u>
Other school administration	
Supplies, materials and other	<u>2,477</u>
Total other school administration	<u>2,477</u>
Total school administration	654,188
Business services	
Fiscal services	
Salaries	105,570
Employee benefits	74,994
Purchased services	11,400
Supplies, materials and other	18,564
Total fiscal services	<u>210,528</u>
Other business services	
Workmen's compensation	5,060
Insurances	51,453
Interest	21,563
Taxes abated and written off	26,014
Total other business services	<u>104,090</u>
Total business services	<u>314,618</u>
Operation and maintenance	
Salaries	366,102
Employee benefits	156,346
Purchased services	95,222
Supplies, materials and other	544,518
Total operation and maintenance	<u>1,162,188</u>
Pupil transportation	
Salaries	174,782
Employee benefits	72,336
Purchased services	10,427
Supplies, materials and other	292,358
Total pupil transportation	<u>549,903</u>

Clare Public Schools
General Fund
Statement of Expenditures
For the Year Ended June 30, 2014

Support services (continued)

Central	
Salaries	\$ 51,488
Employee benefits	18,911
Purchased services	234,320
Supplies, materials and other	139,055
Capital outlay	113,636
Total central	557,410
Total support services	4,301,158

Community services

Community services direction	
Salaries	6,954
Employee benefits	5,712
Supplies, materials and other	100
Total community services direction	12,766

Community activities	
Salaries	750
Employee benefits	271
Purchased services	1,090
Supplies, materials and other	3,165
Total community activities	5,276

Non-public school pupils	
Salaries	2,460
Employee benefits	188
Purchased services	519
Supplies, materials and other	511
Total community services direction	3,678

Total community services	21,720
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Athletics

Salaries	84,269
Employee benefits	36,051
Purchased services	38,289
Supplies, materials and other	126,374
Total athletics	284,983

Outgoing transfers and other transactions

Transfers to construction fund	69,700
Transfers to agency fund for band activity	1,000
Special education billback	42,139
Woodlawn special assessment	3,231
Total outgoing transfers and other transactions	116,070

Total general fund expenditures	\$ 13,523,832
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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, 2014

Revenues

Local sources	
Student lunches	\$ 89,933
Adult lunches	4,802
Ala-carte	51,690
Interest	540
Catering	27,740
Other local sources	882
Total local sources	175,587
State sources	
School lunch program	23,112
Federal sources	
National school lunch program	346,674
USDA donated commodities	41,328
Total federal sources	388,002
Total revenues	586,701

Expenditures

Salaries	137,523
Purchased services	160,575
Supplies, materials and other	278,121
Total expenditures	576,219
Excess (deficiency) of revenues over expenditures	10,482
Fund balances - beginning	166,530
Fund balances - ending	\$ 177,012

Clare Public Schools
 Capital Project Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended June 30, 2014

	<u>Capital Investment</u>	<u>Pioneer Development</u>	<u>Total</u>
Revenues			
Local sources	\$ 14	\$ 131,061	\$ 131,075
Expenditures			
Capital outlay	-	719,859	719,859
Supplies, materials and other	-	1,274	1,274
Excess (deficiency) of revenues and other sources over expenditures	14	(590,072)	(590,058)
Other financing sources (uses)			
Transfers in	62,500	7,200	69,700
Transfers (out)	(85,000)	-	(85,000)
Excess (deficiency) of revenues and other sources over expenditures	(22,486)	(582,872)	(605,358)
Fund balances - beginning	84,116	730,556	814,672
Fund balances - ending	<u>\$ 61,630</u>	<u>\$ 147,684</u>	<u>\$ 209,314</u>

Clare Public Schools
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2014

Revenues	2011 & 2006 Bonds	2011 QZAB Issue	Total
Local sources			
Property tax	\$ 665,252	\$ 169,949	\$ 835,201
Interest on investments	52	38,865	38,917
Total local sources	<u>665,304</u>	<u>208,814</u>	<u>874,118</u>
 Total revenues	 <u>665,304</u>	 <u>208,814</u>	 <u>874,118</u>
 Expenditures			
Outgoing transfers and other transactions			
Principal	410,000	930,000	1,340,000
Interest	241,400	-	241,400
Other fees and charges	1,754	495	2,249
 Total expenditures	 <u>653,154</u>	 <u>930,495</u>	 <u>1,583,649</u>
 Excess (deficiency) of revenues over expenditures	 12,150	 (721,681)	 (709,531)
 Fund balances - beginning	 <u>143,890</u>	 <u>1,481,271</u>	 <u>1,625,161</u>
 Fund balances - ending	 <u>\$ 156,040</u>	 <u>\$ 759,590</u>	 <u>\$ 915,630</u>

Clare Public Schools
Schedule of Long-Term Debt
For the Year Ended June 30, 2014

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,				
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>\$ 5,415,000</u>	<u>\$ 1,420,100</u>	<u>\$ 6,835,100</u>
2013 School Bus Loan				
<i>Original Issue Amount: \$80,392</i>				
2015	1.40	\$ 39,889	\$ 1,141	\$ 41,030
2016	1.40	40,503	575	41,078
		<u>\$ 80,392</u>	<u>\$ 1,716</u>	<u>\$ 82,108</u>

Clare Public Schools
Schedule of Long-Term Debt
For the Year Ended June 30, 2014

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>				
2015	NA	\$ 930,000	\$ -	\$ 930,000
		<u>\$ 930,000</u>	<u>-</u>	<u>\$ 930,000</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, 2014

Fiscal Year	Annual Principal	Annual Interest	Total
Summary			
2015	\$ 1,399,889	\$ 220,900	\$ 1,620,789
2016	490,503	199,400	689,903
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>\$ 6,425,392</u>	<u>\$ 1,420,100</u>	<u>\$ 7,845,492</u>
5 year groupings			
1st five years	\$ 3,240,392	\$ 910,500	\$ 4,150,892
2nd five years	2,275,000	455,000	2,730,000
3rd five years	910,000	54,600	964,600
	<u>\$ 6,425,392</u>	<u>\$ 1,420,100</u>	<u>\$ 7,845,492</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 August 26, 2014.

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." The signature is written in a cursive, flowing style.

Roslund, Prestage & Company, P.C.
August 26, 2014