CARSON CITY-CYRSTAL AREA SCHOOLS
Montcalm County, Michigan

Annual Financial Report

For the year ended June 30, 2019

Hungerford Nichols CPAs + Advisors
Where good ideas add up

CARSON CITY-CRYSTAL AREA SCHOOLS
Table of Contents

For the year ended June 30, 2019

Financial Section

Independent Auditor's Report 1

Management's Discussion and Analysis 5

Basic Financial Statements 13

District-wide Financial Statements:

Statement of Net Position 14

Statement of Activities 15

Fund Financial Statements:

Governmental Funds:

Balance Sheet 16

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities 17

Statement of Revenues, Expenditures and Changes in Fund Balances 18

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 19

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund 20

Fiduciary Funds:

Statement of Fiduciary Assets and Liabilities 21

Notes to Basic Financial Statements 22

Required Supplementary Information

Schedule of the District's Proportionate Share
Net Pension Liability 56
Net OPEB Liability 58

Schedule of District Contributions
Pension Contributions 60
OPEB Contributions 62

Notes to Required Supplementary Information 63

Supplementary Information

Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Funds 65
Combining Balance Sheet 66
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances 68
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual 70

Internal Control and Compliance

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* 72

Schedule of Findings and Responses 74

Schedule of Prior Year Audit Findings 77

Corrective Action Plan 79

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

December 2, 2019

The Board of Education
Carson City-Crystal Area Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Carson City-Crystal Area Schools (the "District") as of and for the year ended June 30, 2019, 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, the major fund and the aggregate remaining fund information of Carson City-Crystal Area Schools as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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 Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carson City-Crystal Area Schools' basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were 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 combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019 on our consideration of Carson City-Crystal Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Carson City-Crystal Area Schools' internal control over financial reporting and compliance.

Hungerford Nichols

Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Carson City-Crystal Area Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

    - *Governmental funds* statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

    - *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflow of resources, liabilities and deferred inflow of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position, and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are presented as follows:

- Governmental activities: The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-wide Financial Information

The Statement of Net Position provides financial information on the District as a whole.

	2019	2018
Assets		
Current assets	$ 3,559,647	$ 3,547,027
Net capital assets	12,921,730	13,327,318
Total Assets	**16,481,377**	**16,874,345**
Deferred Outflows of Resources	**5,897,726**	**3,537,671**
Liabilities		
Current liabilities	3,541,250	3,607,441
Long-term liabilities	9,852,975	10,161,680
Net pension liability	15,326,383	13,642,760
Net OPEB liability	3,943,558	4,671,687
Total Liabilities	**32,664,166**	**32,083,568**
Deferred Inflows of Resources	**2,654,276**	**905,773**
Net Position		
Net investment in capital assets	2,305,874	2,460,706
Restricted	529,481	240,610
Unrestricted (deficit)	(15,774,694)	(15,278,641)
Total Net Position	**$ (12,939,339)**	**$ (12,577,325)**

The Statement of Activities presents changes in net position from operating results:

	2019	2018
Program Revenues		
Charges for services	$ 153,160	$ 130,112
Operating grants	2,200,523	2,203,208
General Revenues		
Property taxes	2,627,995	2,915,180
State school aid, unrestricted	5,544,753	5,248,915
Interest and investment earnings	4,595	2,974
Other	121,205	146,598
Total Revenues	10,652,231	10,646,987
Expenses		
Instruction	5,318,304	5,430,716
Supporting services	3,936,306	3,318,679
Community services	1,873	24,391
Food service	507,922	454,378
Other	-	21,711
Interest on long-term debt	315,123	332,630
Depreciation – unallocated	934,717	803,194
Total Expenses	11,014,245	10,385,699
Increase (Decrease) in Net Position	(362,014)	261,288
Net Position, Beginning of Year	(12,577,325)	(12,838,613)
Net Position, End of Year	$ (12,939,339)	$ (12,577,325)

Financial Analysis of the District as a Whole

Unrestricted net assets decreased by $496,053 to a deficit of $15,774,694 at June 30, 2019. The District's net pension liability, including deferred outflows and inflows of resources, increased by $565,599 during the fiscal year. In addition, the District's net OPEB liability, including outflows and inflows of resources, decreased by $221,657 during the fiscal year.

The District's financial position is the product of many factors.

The District's total revenues were $10.65 million. Property taxes and unrestricted State aid accounted for most of the District's revenues, contributing 77 percent of the total. Another 21 percent came from state and federal aid for specific programs, and the remainder from fees charged for services, interest earnings and other local sources.

The total cost of all programs was $11.01 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (66 percent). The District's administrative and business activities accounted for 14 percent of total costs. The District's operation and maintenance services accounted for 9 percent of total costs.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.

- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Carson City-Crystal Area Schools' funds are described as follows:

Major Fund

General Fund
The General Fund is the District's primary operating fund. The General Fund had total revenues of $8,803,829, other financing sources of $544,509, and total expenditures of $9,508,770. The General Fund ended the fiscal year with a $160,432 decrease in fund balance for a total fund balance of $324,095, down from $484,527 at June 30, 2018.

Nonmajor Funds

Special Revenue Fund
The District operates one Special Revenue Fund for the food service program, with total revenues of $453,356 and total expenditures of $490,988. The Food Service Fund ended the fiscal year with a $37,632 decrease in fund balance for a total fund balance of $12,636 at June 30, 2019, down from $50,268 at June 30, 2018.

Debt Service Funds
The District operates three Debt Service Funds. Total revenues were $1,379,495 and total expenditures were $1,058,131. The ending fund balances in the Debt Service Funds totaled $564,728, up from $243,364 at June 30, 2018.

Fiduciary Funds
The Student Activities Fund is operated as a Fiduciary Fund of the District. The assets of this fund are being held for the benefit of the District's students. Balances on hand at June 30, 2019 totaled $202,831.

General Fund Budgetary Highlights

During the course of the year, the District continuously reviews and amends the annual operating budget. Changes in the budget are due to the following:

- Changes were made during the year including those to address restructured grant spending and additional property tax revenue.

- Final amendments are made in June for increases in appropriations to prevent budget overruns and reductions in expenses put into place by the administration.

- This year's financial plan is the first step to making the District financially stable in years to come.

Capital Asset and Debt Administration

Capital Assets

By the end of 2019, the District had invested $23.76 million in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. This amount represents a decrease of $405,588 in net book value from June 30, 2019 2018. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.)

The District's net investment in capital assets, including land, land improvements, buildings and improvements, vehicles and furniture and equipment, is detailed as follows:

Land	$ 158,090
Land improvements	173,665
Buildings and improvements	9,689,023
Furniture and equipment	2,290,229
Vehicles	610,723
Net Capital Assets	$ 12,921,730

Long-term Debt

At year end, the District had $10.69 million in general obligation bonds and other long-term debt outstanding – a net decrease of $261,208 from June 30, 2018.

- The District's bond rating for general obligation debt was affirmed by Moody's as Aa2, with a positive outlook. 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 a District's boundaries.
- The District's other obligations include accumulated sick leave and unamortized bond premium. We present more detailed information about our long-term liabilities in Note G in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Educational Assessment Program and the Michigan Merit Exam) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Left Behind Act, adequate yearly progress of students will be more important as certain portions of funding are tied to it.

- Cost increases exceeding the general rate of inflation continue to be expected for the District relative to health care and pension contribution obligations in 2018-19 and beyond. These costs represent a significant portion of the District's budget and their rate of increase is a concern to management. Surges in prices of energy commodities such as diesel, gasoline and natural gas have abated and prices have even declined. If this trend is sustained, it may provide some relief from the rate of growth in overall operating costs going forward.

- The District and support staff bargaining unit negotiated a three-year agreement expiring at the end of the 2020-21 school year. The current contract provides health insurance utilizing MESSA as the standard plan with staff paying a portion of the premium. Changes during the last negotiation provided the bidding and procurement of health insurance may change the way insurance is provided to this bargaining unit in the future.

- As the District continues to face the budget challenges of the current and upcoming school years, operating efficiencies and balanced budgets will be necessary. The ability to continue to operate an adequate educational system with level revenues and increasing expenditures is the challenge of the future. The Board of Education is currently working on strategic plan goals that include fiscal oversight, fiscal responsibility, and financial planning.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Carson City-Crystal Area Schools, 213 East Sherman Street, Carson City, Michigan 48811.

BASIC FINANCIAL STATEMENTS

CARSON CITY-CRYSTAL AREA SCHOOLS
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash equivalents and investments (Note B)	$ 1,695,085
Accounts receivable	89,385
Due from other governmental units (Note C)	1,632,686
Inventory	47,599
Prepaid expenses	94,892
Capital assets not being depreciated (Note E)	158,090
Capital assets being depreciated, net (Note E)	12,763,640
Total Assets	16,481,377
Deferred Outflows of Resources	
Deferred pension amounts	5,137,655
Deferred OPEB amounts	760,071
Total Deferred Outflows of Resources	5,897,726
Liabilities	
Accounts payable	15,336
State aid loan payable (Note F)	2,000,000
Due to other governmental units	255,417
Accrued interest payable	91,778
Salaries payable	302,933
Unearned revenue	42,738
Long-term liabilities (Note G):	
Due within one year	833,048
Due in more than one year	9,852,975
Net pension liability	15,326,383
Net OPEB liability	3,943,558
Total Liabilities	32,664,166
Deferred Inflows of Resources	
Deferred pension amounts	1,521,917
Deferred OPEB amounts	1,132,359
Total Deferred Inflows of Resources	2,654,276
Net Position	
Net investment in capital assets	2,305,874
Restricted for:	
Debt service	516,845
Food service	12,636
Unrestricted (deficit)	(15,774,694)
Total Net Position	$ (12,939,339)

See accompanying notes to basic financial statements.

CARSON CITY-CRYSTAL AREA SCHOOLS
Statement of Activities
For the year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes In Net Position
Governmental Activities				
Instruction	$ 5,318,304	$ -	$ 1,826,185	$ (3,492,119)
Supporting services	3,936,306	35,497	22,635	(3,878,174)
Community services	1,873	8,650	-	6,777
Food service	507,922	109,013	344,343	(54,566)
Other	-	-	7,360	7,360
Interest on long-term debt	315,123	-	-	(315,123)
Depreciation - unallocated*	934,717	-	-	(934,717)
Total Governmental Activities	$ 11,014,245	$ 153,160	$ 2,200,523	(8,660,562)
	General Revenues			
	Taxes:			
	Property taxes, levied for general operations			1,248,500
	Property taxes, levied for debt service			1,379,495
	State school aid, unrestricted			5,544,753
	Interest and investment earnings			4,595
	Other			121,205
	Total General Revenues			8,298,548
	Change in Net Position			(362,014)
	Net Position - Beginning of Year			(12,577,325)
	Net Position - End of Year			$ (12,939,339)

*This amount excludes direct depreciation expenses of the various programs.

See accompanying notes to basic financial statements.

CARSON CITY-CRYSTAL AREA SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2019

	General	Nonmajor	Total
Assets			
Cash equivalents and investments (Note B)	$ 1,496,784	$ 198,301	$ 1,695,085
Accounts receivable	8,793	-	8,793
Due from other funds (Note D)	126,299	414,036	540,335
Due from other governmental units (Note C)	1,629,251	3,435	1,632,686
Inventory	40,300	7,299	47,599
Prepaid expenditures	94,892	-	94,892
Total Assets	$ 3,396,319	$ 623,071	$ 4,019,390
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 15,336	$ -	$ 15,336
State aid anticipation loan payable (Note F)	2,000,000	-	2,000,000
Due to other funds (Note D)	414,036	45,707	459,743
Due to other governmental units	255,417	-	255,417
Accrued interest payable	41,764	-	41,764
Salaries payable	302,933	-	302,933
Unearned revenue	42,738	-	42,738
Total Liabilities	3,072,224	45,707	3,117,931
Fund Balances (Note A)			
Nonspendable	135,192	7,299	142,491
Restricted	-	572,196	572,196
Unassigned	188,903	(2,131)	186,772
Total Fund Balances	324,095	577,364	901,459
Total Liabilities and Fund Balances	$ 3,396,319	$ 623,071	$ 4,019,390

See accompanying notes to basic financial statements.

CARSON CITY-CRYSTAL AREA SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total governmental fund balances		$ 901,459
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $23,763,375 and accumulated depreciation is $10,841,645.		12,921,730
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	$ (9,940,000)	
Capital leases	(504,795)	
Bond premium, unamortized	(171,061)	
Accumulated sick leave	(70,167)	(10,686,023)
Accrued interest on long-term debt is not included as a liability in governmental funds.		(50,014)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(15,326,383)	
Deferred outflows	5,137,655	
Deferred inflows	(1,521,917)	(11,710,645)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(3,943,558)	
Deferred outflows	760,071	
Deferred inflows	(1,132,359)	(4,315,846)
Total net position - governmental activities		$ (12,939,339)

See accompanying notes to basic financial statements.

CARSON CITY-CRYSTAL AREA SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2019

	General	Nonmajor	Total
Revenues			
Local sources	$ 1,402,896	$ 1,488,508	$ 2,891,404
State sources	6,779,730	15,508	6,795,238
Federal sources	391,012	328,835	719,847
Interdistrict sources	230,191	-	230,191
Total Revenues	8,803,829	1,832,851	10,636,680
Expenditures			
Instruction	5,114,075	-	5,114,075
Supporting services	4,336,155	-	4,336,155
Community services	964	-	964
Food service	-	490,988	490,988
Debt service:			
Principal repayment	39,714	740,000	779,714
Interest and fiscal charges	-	318,131	318,131
Interdistrict	17,862	-	17,862
Total Expenditures	9,508,770	1,549,119	11,057,889
Excess (Deficiency) of Revenues Over Expenditures	(704,941)	283,732	(421,209)
Other Financing Sources			
Capital lease proceeds	544,509	-	544,509
Net Change in Fund Balances	(160,432)	283,732	123,300
Fund Balances, Beginning of Year	484,527	293,632	778,159
Fund Balances, End of Year	$ 324,095	$ 577,364	$ 901,459

See accompanying notes to basic financial statements.

CARSON CITY-CRYSTAL AREA SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2019

Net change in fund balances - total governmental funds		$ 123,300
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 these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:		
Capital outlays	$ 556,709	
Depreciation expense	(934,717)	(378,008)
In the Statement of Activities, only the loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold/retired.		(27,580)
Bond premium is amortized over the life of the new bond issue on the Statement of Activities.		15,551
Proceeds from capital leases are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Position.		(544,509)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not effect the Statement of Activities:		
Repayment of bonds	740,000	
Repayment of capital lease obligations	39,714	779,714
Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid.		3,008
In the Statement of Net Position, early retirement incentive and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid ($16,042) exceeded the amounts earned ($5,590).		10,452
The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental		(565,599)
The changes in net OPEB and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.		221,657
Total changes in net position - governmental activities		$ (362,014)

See accompanying notes to basic financial statements.

CARSON CITY-CRYSTAL AREA SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance With Final Budget
Revenues				
Local sources	$ 1,448,170	$ 1,873,453	$ 1,402,896	$ (470,557)
State sources	6,733,372	6,633,372	6,779,730	146,358
Federal sources	429,892	388,786	391,012	2,226
Interdistrict sources	348,772	182,798	230,191	47,393
Total Revenues	8,960,206	9,078,409	8,803,829	(274,580)
Expenditures				
Current:				
Instruction:				
Basic programs	4,240,833	4,763,782	4,467,723	296,059
Added needs	702,692	612,459	646,352	(33,893)
Supporting services:				
Pupil services	361,998	218,759	347,036	(128,277)
Instructional staff services	374,660	359,380	266,583	92,797
General administrative services	411,221	371,766	414,266	(42,500)
School administrative services	565,466	568,712	570,956	(2,244)
Business services	217,545	238,993	313,024	(74,031)
Operation and maintenance services	902,547	821,612	826,332	(4,720)
Pupil transportation services	611,584	565,380	1,115,704	(550,324)
Central services	378,625	148,612	226,053	(77,441)
Other supporting services	-	98,452	256,201	(157,749)
Community services:				
Community activities	-	26,190	964	25,226
Interdistrict	-	-	17,862	(17,862)
Debt Service	-	-	39,714	(39,714)
Total Expenditures	8,767,171	8,794,097	9,508,770	(714,673)
Excess (Deficiency) of Revenues Over Expenditures	193,035	284,312	(704,941)	(989,253)
Other Financing Sources				
Capital lease proceeds	-	-	544,509	544,509
Transfers out	(15,000)	(15,000)	-	15,000
Total Other Financing Sources	(15,000)	(15,000)	544,509	559,509
Net Change in Fund Balances	178,035	269,312	(160,432)	(429,744)
Fund Balances, Beginning of Year	484,527	484,527	484,527	-
Fund Balances, End of Year	$ 662,562	$ 753,839	$ 324,095	$ (429,744)

See accompanying notes to basic financial statements.

CARSON CITY-CRYSTAL AREA SCHOOLS
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2019

		Agency Fund
Assets		
Cash equivalents and investments (Note B)	$	202,831
Liabilities		
Due to other funds (Note D)	$	80,592
Due to student groups		122,239
Total Liabilities	$	202,831

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Carson City-Crystal Area Schools (the "District") was organized under the School Code of the State of Michigan, and services a population of approximately 887 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-wide and Fund Financial Statements

District-wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District's net position is reported in three parts: net investment in capital assets, restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental 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. The General Fund is the District's only major fund. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate schedules.

Revenues are recognized when susceptible to accrual; i.e., 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 after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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 allowance is provided from the State's School Aid Fund and is recognized as revenues in accordance with State law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Fund maintained by the District is the Food Service Special Revenue Fund.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Agency Funds—Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Carson City-Crystal Area Schools has also adopted budgets for its Food Service Special Revenue Fund. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Carson City-Crystal Area Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Finance Director to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General Fund budget was amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act). The Special Revenue Fund budget was not amended during the year.
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventory/Prepaid Expenditures

Inventories are valued at cost (first-in, first-out), and are accounted for using the consumption method. Inventories of the General Fund consist of custodial and transportation maintenance supplies, while inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed $5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, furniture and equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	20 years
Buildings and building improvements	30-50 years
Furniture and equipment	5-20 years
Vehicles	8 years

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

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

10. Early Retirement Incentive/Accumulated Vacation/Sick Leave

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. At June 30, 2019, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for accumulated sick leave amounted was $70,167.

11. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

12. Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establish standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred outflows relating to the recognition of net pension liability on the financial statements and the deferred outflows relating to the recognition of net OPEB liability on the financial statements.

In addition to liabilities, the Statement of Net 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 future period(s) and so will *not* be recognized as in inflow of resources (revenue) until that time. The District has two types of item that qualifies for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB liability on the financial statements.

14. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

15. Fund Balance

The District had adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).

- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts. Committed fund balance does not lapse at year end.

- Assigned – resources that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. Assigned fund balance does not lapse at year end.

- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

16. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

17. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally charted bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial Paper
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2019 related to cash equivalents and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	$ 1,695,085
Fiduciary Funds:	
Trust and Agency Funds	202,831
	$ 1,897,916

Cash Equivalents

Depositories actively used by the District during the year are detailed as follows:

1. Independent Bank
2. Chemical Bank

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2019 balances are detailed as follows:

Cash equivalents	$ 1,720,909

Custodial Credit Risk Related to Cash Equivalents
Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents is provided by the Federal Deposit Insurance Corporation and the National Credit Union Insurance Fund. At year end, the carrying amount of the District's cash equivalents was $1,720,909, and the bank balance was $2,014,302. Of the bank balance $429,585 was insured and $1,584,717 was uninsured.

Investments

As of June 30, 2019 the District had the following investments:

	Fair Value
State Aid Anticipation Note set aside	$ 174,429
Surplus Funds Investment Pool Account:	
Michigan Liquid Asset Fund Plus	2,578
	$ 177,007

As of June 30, 2019, State Aid Anticipation Note set-aside payments were held in trust at U.S. Bank.

The Michigan Liquid Asset Fund Plus (MILAF) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF is not regulated or registered with the Securities Exchange Commission and reported the same value of the pool shares as the fair value of the District's investment at June 30, 2019. The MILAF fund is rated AAAm by Standard & Poor's rating agency.

The District's policies to minimize investment risk are as follows:

Custodial Credit Risk Related to Investments
Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may 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 by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business. At June 30, 2019, the District had no investments that were subject to custodial credit risk.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy does not specifically address credit risk, but minimizes its credit risk by limiting investments to the types allowed by the State.

Interest Rate Risk
The District minimizes 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 funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk
The District minimizes concentration of credit risk which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

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

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2018 and October 2018. The 2018-19 "Foundation Allowance" for Carson City-Crystal Area Schools was $7,871 for 884 "Full Time Equivalent" students, generating $6,795,237 in state aid payments to the District of which $1,248,276 was paid to the District in July and August, 2019 and included in "Due From Other Governmental Units" of the General Fund and Food Service Fund of the District.

Property taxes for the District are levied December 1 (the tax lien date) by the Townships of Lebanon, Bloomer, Bushnell, Crystal, Evergreen, Ferris, North Plains, Ronald, New Haven and North Shade, as well as the City of Carson, and are due 75 days after levy dates. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Clinton, Montcalm, Ionia and Gratiot, through their Delinquent Tax Revolving Funds, advance all delinquent real property taxes at March 1 to the District each year prior to June 30.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill “Local Enhancement Millage” which must be shared between all local districts in each respective county intermediate district.

As Carson City-Crystal Area Schools' electors had previously (November 2016) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2018.

The District levied 5.16 mills for debt service purposes in 2018, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRE.

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted “Local Enhancement Millage” nor any additional voted millage for the retirement of debt.

Non-principal residence exemption property (NPRE) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax exemptions); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

The District is subject to tax abatements granted by the Counties of Montcalm, Ionia, Gratiot, and Clinton with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2019, there were no businesses located within the Carson City-Crystal Area Schools boundaries with an active IFE certificate.

Note D – Interfund Receivables/Payables

Amounts due from (to) other funds, representing interfund receivables and payables for year-end expenditure allocations not reimbursed at June 30, 2019, are detailed as follows:

	Due From	Due To
Major Fund		
General Fund:		
Food Service Fund	$ 16,834	$ -
Debt Service Fund:		
2012 Debt Service Fund	28,873	-
2014 Debt Service Fund	-	414,036
Student Activities Fund	80,592	-
Total Major Fund	126,299	414,036
Nonmajor Fund		
Food Service Fund:		
General Fund	-	16,834
Debt Service Fund:		
2012 Debt Fund:		
General Fund	-	28,873
2014 Debt Fund:		
General Fund	414,036	-
Total Nonmajor Fund	414,036	45,707
Fiduciary Fund		
Agency Fund:		
Student Activities Fund:		
General Fund	-	80,592
Total All Funds	$ 540,335	$ 540,335

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balances July 1, 2018	Additions	Deductions	Balances June 30, 2019
Capital assets not being depreciated:				
Land	$ 158,090	$ -	$ -	$ 158,090
Capital assets being depreciated:				
Land improvements	783,576	$ -	$ -	783,576
Buildings and improvements	15,770,426	-	-	15,770,426
Furniture and equipment	5,994,691	-	-	5,994,691
Vehicles	833,622	556,709	333,739	1,056,592
Total capital assets being depreciated	23,382,315	$ 556,709	$ 333,739	23,605,285
Less accumulated depreciation for:				
Land improvements	593,694	$ 16,217	$ -	609,911
Buildings and improvements	5,658,645	422,758	-	6,081,403
Furniture and equipment	3,336,169	368,293	-	3,704,462
Vehicles	624,579	127,449	306,159	445,869
Total accumulated depreciation	10,213,087	$ 934,717	$ 306,159	10,841,645
Total capital assets being depreciated, net	13,169,228			12,763,640
Net Capital Assets	$ 13,327,318			$ 12,921,730

Depreciation expense for the District was $934,717. The District determined that is was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note F – Short-term Debt

On August 21, 2017 the District borrowed $500,000 and $1,500,000 in anticipation of State aid at 1.27% and 1.49%, respectively. The notes were repaid on July 20, 2018 and August 20, 2018, respectively.

On August 20, 2018 the District borrowed $200,000 and $1,800,000 in anticipation of State aid at 1.75% and 2.5%, respectively. The due dates on the notes was August 20, 2019, and interest expense for the year was $41,764.

	Debt Outstanding June 30, 2018	Debt Added	Debt Retired	Debt Outstanding June 30, 2019
State Aid Anticipation Loans	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000

Note G – Long-term Debt

Changes in long-term debt for the year ended June 30, 2019 are summarized as follows:

	Debt Outstanding July 01, 2018	Debt Added	Debt Retired	Debt Outstanding June 30, 2019
General obligation bonds:				
December 4, 2008 QZAB	$ 155,000	$ -	$ -	$ 155,000
June 5, 2012 refunding bonds	415,000	-	415,000	-
August 19, 2014 School Building & Site	10,110,000	-	325,000	9,785,000
Capital lease	-	544,509	39,714	504,795
Bond premium	186,612	-	15,551	171,061
Accumulated sick leave	80,619	5,590	16,042	70,167
	$ 10,947,231	$ 550,099	$ 811,307	$ 10,686,023

Long-term debt outstanding at June 30, 2019 is comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
$10,990K Building and Site August 19, 2014:				
Annual maturities of $720K to $1,080K	May 1, 2030	3.0 - 3.25	$ 9,785,000	$ 720,000
$155K QZAB Building & Site December 4, 2008:				
Principal due in full on final maturity date	Dec. 18, 2022	0.00	155,000	-
Bond Premium		N/A	171,061	15,551
Capital Lease				
$267,660 Bus Lease October 3, 2018:				
Annual maturities of $39,714 to $148,518	Sept. 5, 2021	7.8	227,946	39,714
$276,849 Bus Lease June 13, 2019:				
Annual maturities of $42,783 to $148,500	July 17, 2022	9.0	276,849	42,783
Other Obligations				
Accumulated sick leave			70,167	15,000
			$ 10,686,023	$ 833,048

The annual requirements to pay principal and interest on long-term bonds and capital lease obligations are as follows:

Year Ended June 30	Principal	Interest	Total
2020	$ 802,497	$ 308,265	$ 1,110,762
2021	832,497	295,351	1,127,848
2022	1,126,301	269,995	1,396,296
2023	963,500	239,317	1,202,817
2024	850,000	208,131	1,058,131
2025	885,000	182,631	1,067,631
2026	920,000	156,081	1,076,081
2027	955,000	128,481	1,083,481
2028	995,000	99,831	1,094,831
2029	1,035,000	68,738	1,103,738
2030	1,080,000	35,103	1,115,103
	$ 10,444,795	$ 1,991,924	$ 12,436,719

Note H – Retirement Plan

Plan Description

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

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

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

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

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of pension plans offered by MPSERS are detailed as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Defined Contribution	Defined Contribution	Open
Pension Plus II	Hybrid	Open

Membership

At September 30, 2018, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	192,296
Survivor benefits	18,252
Disability benefits	6,070
Total	**216,618**
Inactive plan members entitled to but not yet receiving benefits:	**18,598**
Active plan members:	
Vested	99,009
Non-vested	108,723
Total	**207,732**
Total plan members	**442,948**

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. 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 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 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of 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 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.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. 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 February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

<u>Option 1</u> members voluntarily elected to increase their contributions to the pension fund as noted below, 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 terminate public school employment.

- Basic Plan members; 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

<u>Option 2</u> 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 and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

<u>Option 3</u> members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of 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.

<u>Option 4</u> members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution 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 the 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).

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.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus 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, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law, The legislation closed the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012 and is shown below:

Option 1: FAC x total years of service x 1.5%
Option 2: FAC x 30 years of service x 1.5% + FAC x years of service beyond 30 x 1.25%
Option 3: FAC x years of service as of transition date x 1.5% + FAC x years of service after transition date x 1.25%
Option 4: FAC as of transition date x years of service as of transition date x 1.5%

A MIP member who became a member of MPSERS prior to July 1, 2010 may retire at:

- age 46 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service; or
- age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Pension Plus member may retire at age 60 with 10 or more years of credited service.

A Pension Plus II member may retire at age 60 with 10 or more years of credited service. Section 81c(5) of PA 300 as amended requires the regular retirement age to be increased in whole year increments based on the results of mortality analysis five-year actuarial experience studies performed after October 1, 2019 and the actuarial funding status of the plan. If the regular retirement age for Pension Plus II members is increased in accordance with this provision, members within five years of retirement from the effective date of the increase are automatically exempted and the retirement board may additionally authorize those between five and eight years of the then current retirement age to be exempted.

A Basic Plan member may retire at:

- age 55 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service.

There is no mandatory retirement age.

Early Retirement

A MIP or Basic member may retire with an early permanently reduced pension:

- after completing at least 15 but less than 30 years of credited service; and
- after attaining age 55; and
- with credited service in each of the 5 school years immediately preceding the pension effective date.

The early pension is computed in the same manner as a regular pension, but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

If a member terminates employment before attaining the age qualification, but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc.).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of weekly workers' compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by 2% for each year retired; first year 100%, next year 102%, etc.).

Forms of Payment

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options.

<u>Straight Life Pension</u> – the Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of the retiree's death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiary.

Survivor Options - Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary predeceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount ("pop-up" provision). If, however, a retiree was single at the time of retirement and subsequently married, the retiree can request to nominate a new spouse if they elected the straight life option at retirement. Also, if a retiree was married at the time of retirement and has since been widowed and remarried, the retiree can request to nominate a new spouse as a pension beneficiary as long as they elected a survivor option for the spouse at the time of retirement.

100% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree's death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree's death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

50% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree's death, 50% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Equated Plan – The Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree's pension to decrease at age 62 by approximately the same amount as that person's Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated or 50% Equated will receive the 100%, 75%, or 50% Survivor amount the month following the retiree's death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. The Pension Plus plan provides for a survivor pension with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a 100% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan (MIP) member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

On January 1, 1990, pre-October 1, 1981 retirees received an increase that ranged from 1% to 22% dependent upon the pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement adjustments.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

Contributions and Funded Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under the method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability will be amortized over a 21 year period for the 2018 fiscal year.

The schedule below summarized pension contribution rate in effect for the plan fiscal year 2018.

Pension Contribution Rates:

Plan Name	Member	District
Basic	0.0 – 4.0%	17.89%
Member Investment Plan (MIP)	3.0 – 7.0%	17.89%
Pension Plus	3.0 – 6.4%	16.61%
Pension Plus II	6.2%	19.74%
Defined Contribution	0.0%	13.54%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2019, inclusive of the MSPERS UAAL Stabilization, totaled $1,352,335.

MPSERS Plan Net Pension Liability (in thousands)

Total Pension Liability	$	81,044,341
Plan Fiduciary Net Position		50,343,498
Net Pension Liability	$	30,700,843
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		62.12%
Net Pension Liability as a Percentage of Covered Employee Payroll		357.66%
Total Covered Payroll	$	8,583,695

Proportionate Share of Reporting Unit's Net Pension Liability

At June 30, 2019, the District reported a liability of $15,326,383 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. At September 30, 2018 the District's proportion was .05098291%, which was a decrease from .05264578% at September 30, 2017.

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

For the year ended June 30, 2019, the District recognized pension expense of $2,051,352. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 71,117	$ 111,374
Changes of assumptions	3,549,578	—
Net difference between projected and actual earnings on pension plan investment earnings	—	1,047,935
Changes in proportion and differences between District contributions and proportionate share of contributions	204,147	362,608
District contributions subsequent to the measurement date*	1,312,813	—
Total	$ 5,137,655	$ 1,521,917

* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Amount
2020	$ 1,075,494
2021	658,878
2022	412,465
2023	156,088

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	7.05%
Pension Plus Plan (Hybrid):	7.00%
Pension Plus II:	6.00%
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Cost-of-Living Adjustments:	3% annual non-compounded for MIP members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.5304 for non-university employers or 1.0554 for university employers]

- Recognition period for assets in years: 5.0000

- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at (www.michigan.gov/orsschools).

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Investment Category	**Target Allocation**	**Long-term Expected Real Rate of Return***
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0%	9.2%
International Equity Pools	16.0%	7.2%
Fixed Income Pools	10.5%	0.5%
Real Estate & Infrastructure Pools	10.0%	3.9%
Absolute Return Pools	15.5%	5.2%
Short-term Investment Pools	2.0%	0.0%
Total	**100.0%**	

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

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changed amounts actually invested.

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus II plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus II plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.05 % (7.0% for the Pension Plus plan and 6.0% for the Pension Plus II plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 6.05%/6.0%/5.0%	Current Discount Rate Assumption 7.05%/7.0%/6.0%	1% Increase 8.05%/8.0%/7.0%
District's proportionate share of the net pension liability	$ 20,122,357	$ 15,326,383	$ 11,341,708

Michigan Public School Employees Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System September 30, 2018 Comprehensive Annual Financial Report, available here: (www.michigan.gov/orsschools).

Payables to the Michigan Public School Employee Retirement System (MPSERS)

Payables to the pension plan totaling $155,974 at June 30, 2019 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

Note I – Other Postemployment Benefits

Plan Description

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

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

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

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

Plan Participants

At September 30, 2018, the System's membership consisted of the following:

Eligible participants	395,292
Participants receiving benefits:	
Health	152,300
Dental/Vision	164,805
Vested plan members:	
Active	195,563
Non-active	2,452

Benefits Provided

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

Retiree Healthcare Reform of 2012

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

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

Contributions and Funded Status

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21 year period for the 2018 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018:

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	6.44%
Personal Healthcare Fund (PHF)	0.0%	6.13%

Required contributions to the OPEB plan from the District were $359,414 for the year ended September 30, 2018.

Net OPEB Liability (in thousands)

Total OPEB Liability	$ 14,178,834
Plan Fiduciary Net Position	6,111,241
Net OPEB Liability	$ 8,067,593
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	43.10%
Net OPEB Liability as a Percentage of Covered Employee Payroll	93.99%
Total Covered Payroll	$ 8,583,695

At June 30, 2019, the District reported a liability of $3,943,558 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018 the District's proportion was .04961105 %, which was a decrease from .05275481% at September 30, 2017.

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

For the year ended June 30, 2019, the District recognized OPEB expense of $139,150. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 433,998
Changes of assumptions	417,625	—
Net difference between projected and actual earnings on OPEB plan investment earnings	—	151,560
Changes in proportion and differences between District contributions and proportionate share of contributions	977	246,801
District contributions subsequent to the measurement date*	341,469	—
Total	$ 760,071	$ 1,132,359

*This amount, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	Amount
2020	$ (168,911)
2021	(168,911)
2022	(168,911)
2023	(138,126)
2024	(68,898)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	7.15%
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded 3.0% Year 12
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree’s death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assume to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.6018 for non-university employers or 1.3472 for university employers].

- Recognition period for assets in years: 5.0000

- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0%	9.2%
International Equity Pools	16.0%	7.2%
Fixed Income Pools	10.5%	0.5%
Real Estate & Infrastructure Pools	10.0%	3.9%
Absolute Return Pools	15.5%	5.2%
Short-term Investment Pools	2.0%	0.0%
Total	**100.0%**	

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

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 6.15%	Current Discount Rate Assumption 7.15%	1% Increase 8.15%
District's proportionate share of the net OPEB liability	$ 4,734,162	$ 3,943,558	$ 3,278,564

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

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

	1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net OPEB liability	$ 3,243,533	$ 3,943,558	$ 4,746,630

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling $25,061 at June 30, 2019 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

Note J – Risk Management and Benefits

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

There were no significant reductions in insurance coverage in fiscal 2018-19, and as of year ended June 30, 2019, there were no material pending claims against the District.

Note K – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted amounts for the year ended June 30, 2019, as follows:

	Budget	Actual	Variance
General Fund			
Instruction:			
Added needs	$ 612,459	$ 646,352	$ 33,893
Supporting services:			
Pupil services	218,759	347,036	128,277
General administrative services	371,766	414,266	42,500
School administrative services	568,712	570,956	2,244
Business services	238,993	313,024	74,031
Operation and maintenance services	821,612	826,332	4,720
Pupil transportation services	565,380	1,115,704	550,324
Central services	148,612	226,053	77,441
Other supporting services	98,452	256,201	157,749
Interdistrict	-	17,862	17,862
Debt service	-	39,714	39,714
Food Service Special Revenue Fund			
Food Service	414,896	490,988	76,092

The District has an unrestricted net position deficit of $15,774,694 and a total net position deficit of $12,939,339, as of June 30, 2019. These deficit net positions result primarily from the net pension liability of $11,710,645 (net of deferred outflows and inflows of resources related to the pension plan), and the net OPEB liability of $4,315,846 (net of deferred outflows and inflows of resources related to the OPEB plan).

REQUIRED SUPPLEMENTARY INFORMATION

CARSON CITY-CRYSTAL AREA SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2019

	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017
District's proportion of the net pension liability	0.04944000%	0.05223000%	0.05280000%
District's proportionate share of the net pension liability	$ 10,889,390	$ 12,757,248	$ 13,173,151
District's covered-employee payroll	$ 4,386,701	$ 4,431,699	$ 4,441,570
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	248.24%	287.86%	296.59%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%	63.27%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Year Ended June 30, 2018	Year Ended June 30, 2019
0.05264578%	0.05098291%
$ 13,642,760	$ 15,326,383
$ 4,406,027	$ 4,374,629
309.64%	350.35%
63.96%	62.12%

CARSON CITY-CRYSTAL AREA SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2019

	Year Ended June 30, 2018	Year Ended June 30, 2019
District's proportion of the net OPEB liability	0.05275481%	0.04961105%
District's proportionate share of the net OPEB liability	$ 4,671,687	$ 3,943,558
District's covered-employee payroll	$ 4,406,027	$ 4,374,629
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	106.03%	90.15%
Plan fiduciary net position as a percentage of the total OPEB liability	36.53%	43.10%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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CARSON CITY-CRYSTAL AREA SCHOOLS
Required Supplementary Information
Schedule of District Pension Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2019

	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017
Contractually required contribution	$ 775,756	$ 1,232,573	$ 1,209,951
Contributions in relation to the contractually required contribution	775,756	1,232,573	1,209,951
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 4,355,813	$ 4,524,026	$ 4,433,764
Contributions as a percentage of covered employee payroll	17.81%	27.25%	27.29%

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Year Ended June 30, 2018	Year Ended June 30, 2019
$ 1,294,464	$ 1,352,335
1,294,464	1,352,335
$ -	$ -
$ 3,979,739	$ 4,780,594
32.53%	28.29%

CARSON CITY-CRYSTAL AREA SCHOOLS
Required Supplementary Information
Schedule of District OPEB Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2019

	Year Ended June 30, 2018	Year Ended June 30, 2019
Contractually required contribution	$ 350,136	$ 359,414
Contributions in relation to the contractually required contribution	350,136	359,414
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 3,979,739	$ 4,780,594
Contributions as a percentage of covered employee payroll	8.80%	7.52%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2018-19.

Changes of assumptions: There were no changes of benefit assumptions in 2018-19.

Note B – Net OPEB Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2018-19.

Changes of assumptions: There were no changes of benefit assumptions in 2018-19.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

CARSON CITY-CRYSTAL AREA SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019

	Special Revenue	Debt Service	
	Food Service	2008 QZAB	2012 Refunding
Assets			
Cash equivalents and investments	$ 18,736	$ 99,638	$ 26,742
Due from other funds	-	-	-
Due from other governmental units	3,435	-	-
Inventory	7,299	-	-
Total Assets	$ 29,470	$ 99,638	$ 26,742
Liabilities and Fund Balances			
Liabilities			
Due to other funds	$ 16,834	$ -	$ 28,873
Fund Balances			
Nonspendable	7,299	-	-
Restricted	5,337	99,638	-
Unassigned	-	-	(2,131)
Total Fund Balances	12,636	99,638	(2,131)
Total Liabilities and Fund Balances	$ 29,470	$ 99,638	$ 26,742

2014	Total
$ 53,185	$ 198,301
414,036	414,036
-	3,435
-	7,299
$ 467,221	$ 623,071
$ -	$ 45,707
-	7,299
467,221	572,196
-	(2,131)
467,221	577,364
$ 467,221	$ 623,071

CARSON CITY-CRYSTAL AREA SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2019

	Special Revenue	Debt Service	
	Food Service	2008 QZAB	2012 Refunding
Revenues			
Local sources:			
Property taxes	$ -	$ -	$ 491,615
Food sales	109,013	-	-
Total local sources	109,013	-	491,615
State sources	15,508	-	-
Federal sources	328,835	-	-
Total Revenues	453,356	-	491,615
Expenditures			
Food service	490,988	-	-
Debt service:			
Principal repayment	-	-	415,000
Interest and fiscal charges	-	-	8,300
Total Expenditures	490,988	-	423,300
Net Change in Fund Balances	(37,632)	-	68,315
Fund Balances, Beginning of Year	50,268	99,638	(70,446)
Fund Balances, End of Year	$ 12,636	$ 99,638	$ (2,131)

2014	Total
$ 887,880	$ 1,379,495
-	109,013
887,880	1,488,508
-	15,508
-	328,835
887,880	1,832,851
-	490,988
325,000	740,000
309,831	318,131
634,831	1,549,119
253,049	283,732
214,172	293,632
$ 467,221	$ 577,364

CARSON CITY-CRYSTAL AREA SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2019

	Budget	Actual	Variance
Revenues			
Local sources	$ 137,500	$ 109,013	$ (28,487)
State sources	16,000	15,508	(492)
Federal sources	247,000	328,835	81,835
Total Revenues	400,500	453,356	52,856
Expenditures			
Food service	414,896	490,988	(76,092)
Other Financing Sources			
Transfers in	15,000	-	(15,000)
Net Change in Fund Balances	604	(37,632)	(38,236)
Fund Balances, Beginning of Year	50,268	50,268	-
Fund Balances, End of Year	$ 50,872	$ 12,636	$ (38,236)

INTERNAL CONTROL AND COMPLIANCE

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

December 2, 2019

The Board of Education
Carson City-Crystal Area Schools

We have audited, 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, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Carson City-Crystal Area Schools (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2019.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003 that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003.

Carson City-Crystal Area Schools' Response to Findings

Carson City-Crystal Area School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Carson City-Crystal Area School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hungerford Nichols

Certified Public Accountants
Grand Rapids, Michigan

Finding 2019-001 Material Weakness in Internal Control over Financial Reporting
Repeat of 2018-001

Criteria: In order to maintain adequate internal controls and proper reporting, all accounts should be reconciled and adjusted monthly (especially the balance sheet accounts). The reconciliations should be completed and reviewed on a timely basis.

Condition: Account reconciliations were not performed on a timely basis during the course of the fiscal year for cash, due to/from accounts, receivables, payables, state and federal revenue, and payroll related expenditures. Material audit adjustments were proposed by the external auditor and accepted and recorded by the client where needed to reconcile the accounts. Significant amounts were recorded as miscellaneous revenue for unreconciled amounts.

Cause: Individuals responsible for recording journal entries and reviewing monthly activity did not complete their procedures. District controls were ineffective and, in some cases, non-existent in identifying this condition.

Effect: Without completing and reviewing the reconciliations in a timely manner, inaccurate financial information may be used for management decisions and reporting.

Context: Cash was not reconciled on a timely basis throughout the fiscal year. This led to journal entries at year-end to reconcile cash at June 30 and also led to multiple journal entries that affected miscellaneous revenues and expenditures. This also led to adjustments in cash balances by District staff that delayed the production of an accurate and complete trial balance. The resulting effect was a prolonged interruption in the audit process which ultimately led to the submission of a late audit report.

Prior year balance sheet accounts were not cleared out or adequately adjusted. Therefore, multiple entries were made to not only adjust the balance sheet accounts, but to also book revenues and expenditures that were not accounted for throughout the year.

Capital lease obligation and associated payments were not properly recorded in the debt service accounts.

Recommendation: The District should implement a month end procedure checklist to ensure that all balance sheet accounts are reconciled within 30 days of month end. The District should implement journal entry review procedures based upon the employee making the journal entry.

District's Response: The District agrees with the finding and will establish procedures to prevent this in the future.

Finding 2019-002 Material Noncompliance with Laws and Regulations
Repeat of 2018-002

Criteria: Compliance with the Uniform Budgeting and Accounting Act. MCL (Michigan Compile Laws) 141.438 and 141.439 states that an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body. Additionally, the chief administrative officer, an administrative officer, or an employee of the local unit shall not apply or divert money for purposes inconsistent with those specified in the appropriations.

Condition: The District's actual expenditures were greater than budgeted expenditures.

Cause: The District did not record transactions timely in the general ledger which allowed it to spend more than it had budgeted.

Effect: At June 30, the District's actual expenditures exceeded budgeted expenditures by $714,673 in the General Fund, and by $76,092 in the Food Service Fund.

Context: The General Fund Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual for the year ended June 30, 2019 and the Food Service Schedule of Revenues, Expenditures and Changes in fund Balances – Budget and Actual identifies that the District overspent its budget.

Recommendation: The District should implement a month end procedure checklist to ensure that all balance sheet accounts are reconciled within 30 days of month end and that all transactions are recorded timely. The District should review budget-to-actual reports monthly to verify it hasn't overspent its budget.

District's Response: The District agrees with the finding and will establish procedures to prevent this in the future.

Finding 2019-003 Material Weakness in Internal Control over Financial Report

Criteria: In order to maintain adequate internal control and proper reporting, all transactions should be recorded timely and all accounts should be reconciled and adjusted monthly. The reconciliations should be completed and reviewed on a timely basis.

Condition: Payroll was not entered into the general ledger throughout the entire year. Payroll was not approved on a regular basis. Pension and Other Post Employment Benefit contribution payments were incorrectly made to the Office of Retirement Services (ORS).

Cause: Individuals responsible for recording payroll transactions and preparing reconciliations did not complete their procedures. District controls were ineffective and, in some cases, non-existent in identifying this condition.

Effect: Without payroll transactions entered into the District's general ledger software throughout the year in a timely manner, inaccurate financial information may be used for management decisions and reporting. Incorrect payments were made to ORS which caused some employee's accounts to be underfunded. The District also made payments to ORS for employees that were no longer employed by the District.

Context: The District utilizes a third-party payroll provider and timely paychecks were being provided to employees. However, District personnel were not approving and updating information being sent to the third-party. This caused information being submitted to ORS to be incorrect and, therefore, payments for certain employees were incorrect. The payroll transactions were not entered timely into the general ledger software until after the fiscal year-end.

Recommendation: The District should implement payroll procedures to ensure that all time cards, or the equivalent, are approved by a Supervisor prior to each payroll run. The District should also develop procedures to ensure that the payroll transactions are timely entered the general ledger software and that ORS payments are reconciled monthly.

District's Response: The District agrees with the finding and will establish procedures to prevent this in the future.

Finding 2018-001 Material Weakness

Criteria: In order to maintain adequate internal controls and proper reporting, all accounts should be reconciled and adjusted monthly (especially the balance sheet). The reconciliations should be completed and reviewed on a timely basis.

Condition: Account reconciliations were not performed on a timely basis during the course of the fiscal year for cash, due to/from accounts, state and federal revenue, and pension related expenditures. Material audit adjustments were proposed by the external auditor and accepted and recorded by the client where needed to reconcile the accounts. Significant amounts were recorded as miscellaneous revenue for unreconciled amounts.

Cause: Individuals responsible for recording journal entries and reviewing monthly activity did not complete their procedures. District controls were ineffective and, in some cases, non-existent in identifying this condition.

Effect: Without completing and reviewing the reconciliations in a timely manner, inaccurate financial information may be used for management decisions and reporting.

Recommendation: The District should implement a month end procedure checklist to ensure that all balance sheet accounts are reconciled within 30 days of month end, the due to/from accounts agree across the different funds, accruals agree to subledger balances, etc. The District should implement journal entry review procedures based upon the employee making the journal entry.

Resolution: The finding has not been resolved. See finding 2018-001.

Finding 2018-002 Material Weakness

Criteria: Compliance with the Uniform Budgeting and Accounting Act. MCL (Michigan Compile Laws) 141.438 and 141.439 states that an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body. Additionally, the chief administrative officer, an administrative officer, or an employee of the local unit shall not apply or divert money for purposes inconsistent with those specified in the appropriations.

Condition: The District's actual expenditures were greater than budgeted expenditures.

Cause: The District did not record transactions timely in the general ledger which allowed it to spend more than it had budgeted.

Effect: At June 30, the District's actual expenditures exceeded budgeted expenditures by $348,452.

Recommendation: The District is developing procedures to review the budget and general ledger monthly.

Recommendation: The District should implement a month end procedure checklist to ensure that all balance sheet accounts are reconciled within 30 days of month end and that all transactions are recorded timely. The District should review budget-to-actual reports monthly to verify it hasn't overspent its budget.

Resolution: The finding has not been resolved. See finding 2019-002.

Carson City-Crystal Area Schools

"Customizing Education Cradle to Career"

Finding 2019-001

Responsible Person: Director of Finance

Management Views: Management agrees with the finding and will establish procedures to prevent this in the future.

Corrective Action: The District will implement a month end procedure checklist to ensure that all balance sheet accounts are reconciled within 30 days of month end. The District will implement journal entry review procedures based upon the employee making the journal entry.

Anticipated Completion Date: Immediately

Finding 2019-002

Responsible Person: Director of Finance

Management Views: Management agrees with the finding and will establish procedures to prevent this in the future.

Corrective Action: The District will implement a month end procedure checklist to ensure that all balance sheet accounts are reconciled within 30 days of month end and that all transactions are recorded timely. The District will review budget-to-actual reports monthly.

Anticipated Completion Date: Immediately

Finding 2019-003

Responsible Person: Director of Finance

Management Views: Management agrees with the finding and will establish procedures to prevent this in the future.

Corrective Action: The District will implement a month end procedure checklist to ensure that all balance sheet accounts are reconciled within 30 days of month end and that all transactions are recorded timely. The District will review budget-to-actual reports monthly.

Anticipated Completion Date: Immediately

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Carson City-Crystal Middle School
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