

**CENTRAL MONTCALM PUBLIC SCHOOLS**

**REPORT ON FINANCIAL STATEMENTS  
(with required supplementary and  
additional supplementary information)**

**YEAR ENDED JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Central Montcalm Public Schools

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Montcalm Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Central Montcalm Public Schools' basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Montcalm Public Schools as of June 30, 2019, and the respective changes in financial position thereof 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 other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Montcalm Public Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary 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 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 additional supplementary information is fairly stated, in all material respects, in relation to the 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 September 4, 2019 on our consideration of Central Montcalm Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Central Montcalm Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Montcalm Public Schools' internal control over financial reporting and compliance.

*Maney Costeiron PC*

September 4, 2019

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Central Montcalm Public Schools’ (CMPS) annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

Total District revenues were approximately \$18.6 million with expenses of approximately \$19 million; total District expenses exceeded revenues by approximately \$465,000.

In 2018-2019 the District’s general fund was funded primarily with a \$7,871 per pupil State of Michigan foundation allowance. The General Fund received 80% of its revenue from state sources.

The student blended count for 2018-2019 was 1,503.

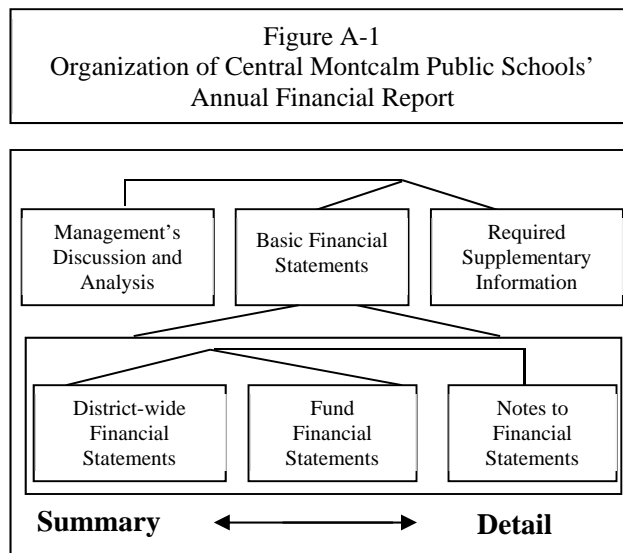
At June 30, 2019, the fund balance of the general fund was \$3,336,144. This is a decrease from the 2017-2018 fiscal year of \$48,862.

During the 2018-2019 fiscal year the District repaid \$1.69 million of principal from its long-term debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements 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.
- The *governmental funds* statements tell how *basic* services like 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 financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District’s budget for the year and related pension and other postemployment benefit information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

<b>Figure A-2 Major Features of District-wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Central Montcalm Public Schools' funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

### **DISTRICT-WIDE STATEMENTS**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District’s assets, deferred outflows, deferred inflows and liabilities. 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 they have changed. Net position - the difference between the District's assets, deferred outflows, deferred inflows and liabilities - 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 overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- *Governmental activities* - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

## **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:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like food service).

The District has 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 you 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, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary funds* - The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the 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. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's combined net position at the beginning of the fiscal year was (\$13,538,021) and on June 30, 2019 was (\$14,003,412) which represents a decrease of \$465,391 as recorded in the statement of activities.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Current and other assets	\$ 6,428,656	\$ 6,308,766
Capital assets, net of depreciation	23,919,894	24,377,062
Total assets	<u>30,348,550</u>	<u>30,685,828</u>
Deferred outflows of resources	<u>11,536,749</u>	<u>7,298,845</u>
Long-term debt outstanding	11,099,291	12,514,621
Other liabilities	3,645,563	3,440,154
Net pension liability	28,628,528	24,598,468
Net other postemployment benefits liability	<u>7,571,904</u>	<u>8,394,855</u>
Total liabilities	<u>50,945,286</u>	<u>48,948,098</u>
Deferred inflows of resources	<u>4,943,425</u>	<u>2,574,596</u>
Net position:		
Net investment in capital assets	11,783,910	10,970,338
Restricted for debt service	541,859	450,206
Unrestricted	<u>(26,329,181)</u>	<u>(24,958,565)</u>
Total net position	<u>\$ (14,003,412)</u>	<u>\$ (13,538,021)</u>

**Table A-4  
Changes to Central Montcalm Public Schools' Net Position**

Revenues:	2019	2018
Program revenues:		
Charges for services	\$ 271,115	\$ 268,784
Federal and state categorical grants	4,327,352	4,350,145
General revenues:		
Property taxes	3,780,418	3,670,307
State aid - unrestricted	9,730,786	10,366,842
Other	447,139	372,800
Total revenues	<u>18,556,810</u>	<u>19,028,878</u>
Expenses:		
Instruction	11,218,615	10,594,097
Support services	6,479,643	6,181,953
Food services	802,614	755,189
Community services	1,980	496
Interest on long-term debt	369,406	419,896
Depreciation - unallocated	149,943	141,336
Total expenses	<u>19,022,201</u>	<u>18,092,967</u>
Change in net position	<u>\$ (465,391)</u>	<u>\$ 935,911</u>

**District Governmental Activities:**

The District's financial condition is relatively stable. The District has experienced a decrease in enrollment for 2018-2019 of approximately 6%. In 2018-2019 the District's enrollment of 1,503 was below the 2017-2018 enrollment level by 96 students.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds:

Fund balance

General fund	\$ 3,336,144
All other funds	\$ 1,384,916

This is a combined fund balance of \$4,721,060 compared to a fund balance of \$4,743,848 in 2017-2018.

**General Fund and Budget Highlights:**

During the 2018-2019 fiscal year, the District’s budget was amended in the fall to reflect student count, staff changes, and teacher contract. Additional subsequent amendments were done to capture minor changes throughout the year.

Overall, the difference between the final general fund amended expenditure budget and end of the year actual figures amounted to approximately 4%. Revenue received was less than the final June 30, 2019 Board adopted budget by \$177,918. This decrease was primarily federal sources. District expenditures ended the year with \$680,362 less expended than the final approved budget. District-wide cost containment in personnel, supplies, and energy accounted for a large share of these adjustments.

**Capital Asset and Debt Administration**

**Capital Assets**

The District’s capital assets are as follows:

	2019		2018	
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 12,802	\$ -	\$ 12,802	\$ 12,802
Buildings and improvements	36,539,822	13,746,706	22,793,116	23,555,130
Furniture and equipment	5,318,570	4,456,677	861,893	592,716
Vehicles	1,137,722	885,639	252,083	216,414
Total	<u>\$ 43,008,916</u>	<u>\$ 19,089,022</u>	<u>\$ 23,919,894</u>	<u>\$ 24,377,062</u>

**Long-term Debt**

At June 30, 2019, the District had approximately \$13 million in long-term obligations as shown in Table A-6. More detailed information is available in Note 5 to the financial statements.

During the year ended June 30, 2019, the District made principal payments in the amount of \$1.69 million.

An increase in compensated absences of \$658 was also recorded.

	2019	2018
General obligation bonds and other debt	\$ 12,130,458	\$ 13,818,004
Installment purchases	641,538	300,000
Compensated absences	193,703	193,045
Total	<u>\$ 12,965,699</u>	<u>\$ 14,311,049</u>

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

***Foundation Allowance:*** The 2018-19 base state aid foundation allowance was \$7,871. The State budget has not been approved and the foundation allowance for 2019-2020 is unknown. The District's 2019-20 budget uses an assumption of \$150 per pupil increase for the foundation allowance.

***Bond Project Completion 2020:*** The District will undertake the second phase of their bond project in 2020. This will include a phone system upgrade, parking and drive reconfiguration, and partial roof and window replacement.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Central Montcalm Public Schools, 1480 S Sheridan Rd, Stanton, MI 48888.

## **BASIC FINANCIAL STATEMENTS**

**CENTRAL MONTCALM PUBLIC SCHOOLS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	<u>Governmental activities</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 3,286,308
Receivables:	
Accounts receivable	513
Taxes receivable	586
Intergovernmental receivables	2,562,240
Inventories	8,524
Prepays	148,032
Restricted investments - capital projects	422,453
Capital assets not being depreciated	12,802
Capital assets, net of accumulated depreciation	23,907,092
<b>TOTAL ASSETS</b>	<u>30,348,550</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred charge on refunding, net of amortization	213,559
Related to other postemployment benefits	1,419,167
Related to pensions	9,904,023
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>11,536,749</u>
<b>LIABILITIES:</b>	
Accounts payable	63,285
Accrued salaries and related items	1,138,721
Accrued retirement	403,225
Accrued interest	71,559
Intergovernmental payable	4,185
Unearned revenue	98,180
Noncurrent liabilities:	
Due within one year	1,866,408
Due in more than one year	11,099,291
Net other postemployment benefits liability	7,571,904
Net pension liability	28,628,528
<b>TOTAL LIABILITIES</b>	<u>50,945,286</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Related to other postemployment benefits	1,702,004
Related to pensions	2,189,836
Related to state aid funding for pension and other postemployment benefits	1,051,585
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>4,943,425</u>
<b>NET POSITION:</b>	
Net investment in capital assets	11,783,910
Restricted for debt service	541,859
Unrestricted	(26,329,181)
<b>TOTAL NET POSITION</b>	<u>\$ (14,003,412)</u>

See notes to financial statements.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net position</u>
Governmental activities:				
Instruction	\$ 11,218,615	\$ -	\$ 2,563,031	\$ (8,655,584)
Support services	6,479,643	23,776	1,095,217	(5,360,650)
Community services	1,980	82,887	1,980	82,887
Food services	802,614	164,452	667,124	28,962
Interest on long-term debt	369,406	-	-	(369,406)
Unallocated depreciation	149,943	-	-	(149,943)
Total governmental activities	<u>\$ 19,022,201</u>	<u>\$ 271,115</u>	<u>\$ 4,327,352</u>	<u>(14,423,734)</u>
General revenues:				
Property taxes, levied for general purposes				1,667,753
Property taxes, levied for debt service				2,112,665
Investment earnings				29,927
State sources - unrestricted				9,730,786
Intermediate sources				311,394
Other				105,818
Total general revenues				<u>13,958,343</u>
<b>CHANGE IN NET POSITION</b>				(465,391)
<b>NET POSITION, beginning of year</b>				<u>(13,538,021)</u>
<b>NET POSITION, end of year</b>				<u><u>\$ (14,003,412)</u></u>



**CENTRAL MONTCALM PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<b>General fund</b>	<b>Total nonmajor funds</b>	<b>Total governmental funds</b>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,333,876	\$ 952,432	\$ 3,286,308
Receivables:			
Accounts receivable	249	264	513
Taxes receivable	269	317	586
Intergovernmental receivables	2,556,911	5,329	2,562,240
Inventories	-	8,524	8,524
Prepays	147,816	216	148,032
Restricted investments	-	422,453	422,453
<b>TOTAL ASSETS</b>	<b>\$ 5,039,121</b>	<b>\$ 1,389,535</b>	<b>\$ 6,428,656</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 59,148	\$ 4,137	\$ 63,285
Accrued salaries and related items	1,138,721	-	1,138,721
Accrued retirement	403,225	-	403,225
Intergovernmental payable	4,185	-	4,185
Unearned revenue	97,698	482	98,180
<b>TOTAL LIABILITIES</b>	<b>1,702,977</b>	<b>4,619</b>	<b>1,707,596</b>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventories	-	8,524	8,524
Prepays	147,816	216	148,032

See notes to financial statements.

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>FUND BALANCES (Concluded):</b>			
Restricted for:			
Debt service	\$ -	\$ 613,418	\$ 613,418
Capital projects	-	422,453	422,453
Food service	-	340,305	340,305
Assigned for:			
Subsequent year expenditures	622,613	-	622,613
Unassigned	2,565,715	-	2,565,715
<b>TOTAL FUND BALANCES</b>	<u>3,336,144</u>	<u>1,384,916</u>	<u>4,721,060</u>
<b>LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,039,121</u>	<u>\$ 1,389,535</u>	<u>\$ 6,428,656</u>
<b>Total governmental fund balances</b>			\$ 4,721,060
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred outflows of resources - charges on refunding, net of amortization			213,559
Deferred outflows of resources - related to pensions			9,904,023
Deferred outflows of resources - related to other postemployment benefits			1,419,167
Deferred inflows of resources - related to pensions			(2,189,836)
Deferred inflows of resources - related to other postemployment benefits			(1,702,004)
Deferred inflows of resources - related to state funding for pension and other postemployment benefits			(1,051,585)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
The cost of the capital assets is		\$ 43,008,916	
Accumulated depreciation is		<u>(19,089,022)</u>	23,919,894
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Bonds and other long-term debt payable			(12,771,996)
Compensated absences			(193,703)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid			(71,559)
Net other postemployment benefits liability			(7,571,904)
Net pension liability			<u>(28,628,528)</u>
<b>Net position of governmental activities</b>			<u>\$ (14,003,412)</u>

See notes to financial statements.

**CENTRAL MONTCALM PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$ 1,667,753	\$ 2,112,665	\$ 3,780,418
Investment earnings	13,669	16,258	29,927
Food sales	-	164,452	164,452
Other	180,091	31	180,122
Total local sources	<u>1,861,513</u>	<u>2,293,406</u>	<u>4,154,919</u>
State sources	12,880,370	28,419	12,908,789
Federal sources	582,782	638,705	1,221,487
Incoming transfers and other	343,753	-	343,753
Total revenues	<u>15,668,418</u>	<u>2,960,530</u>	<u>18,628,948</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction	10,029,448	-	10,029,448
Supporting services	6,077,849	-	6,077,849
Community services	1,980	-	1,980
Food service activities	-	770,058	770,058
Capital outlay	-	69,911	69,911
Debt service:			
Principal repayment	75,000	1,570,000	1,645,000
Interest	10,440	462,405	472,845
Other	-	1,183	1,183
Total expenditures	<u>16,194,717</u>	<u>2,873,557</u>	<u>19,068,274</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(526,299)</u>	<u>86,973</u>	<u>(439,326)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from installment purchase	416,538	-	416,538
Transfers in	63,000	2,101	65,101
Transfers out	(2,101)	(63,000)	(65,101)
Total other financing sources (uses)	<u>477,437</u>	<u>(60,899)</u>	<u>416,538</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(48,862)</u>	<u>26,074</u>	<u>(22,788)</u>
<b>FUND BALANCES:</b>			
Beginning of year	<u>3,385,006</u>	<u>1,358,842</u>	<u>4,743,848</u>
End of year	<u>\$ 3,336,144</u>	<u>\$ 1,384,916</u>	<u>\$ 4,721,060</u>

See notes to financial statements.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

<b>Net change in fund balances total governmental funds</b>	\$ (22,788)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(1,027,005)
Capital outlay	569,837
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	78,808
Accrued interest payable, end of the year	(71,559)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on debt	1,645,000
Proceeds from installment purchase agreement	(416,538)
Amortization of deferred charges on refunding	(21,356)
Amortization of bond premium	117,546
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year	193,045
Accrued compensated absences, end of the year	(193,703)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Other postemployment benefits related items	209,397
Pension related items	(1,453,937)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period:	
Pension and other postemployment benefit related items, beginning of year	979,447
Pension and other postemployment benefit related items, end of year	(1,051,585)
<b>Change in net position of governmental activities</b>	<u><u>\$ (465,391)</u></u>

**CENTRAL MONTCALM PUBLIC SCHOOLS  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2019**

	<u>Agency fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 208,353
	<hr/>
<b>LIABILITIES:</b>	
Accounts payable	\$ 1,416
Due to student and other groups	206,937
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>\$ 208,353</b>
	<hr/>

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

**A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

**B. Reporting Entity**

The Central Montcalm Public Schools (the “District”) is governed by the Central Montcalm Public Schools Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

**C. Basis of Presentation - Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

The *general fund* is the District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Presentation - Fund Financial Statements (Concluded)**

**Other nonmajor funds**

The *2016 capital projects* fund accounts for bond proceeds and construction costs related to the issuance of the 2016 Building and Site bonds. The 2016 capital projects fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The project for which the 2016 capital projects fund bonds were issued was considered complete on December 15, 2017.

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in the special revenue fund.

The *debt service funds* account for resources accumulated and payments made for principal and interest on long-term general obligation of governmental funds.

**Fiduciary Funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Continued)**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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 provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.



**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Concluded)**

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue. All other revenue items are generally considered to be measurable and available only when cash is received by the District.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**F. Budgetary Information**

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Budgetary Information (Concluded)**

Budgetary basis of accounting (Concluded):

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2019. The District does not consider these amendments to be significant.

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

2. Investments (Concluded)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 5 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

4. Capital assets (Concluded)

Land is not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings and improvements	20 - 50
Furniture and equipment	5 - 20
Vehicles	5 - 10

5. Defined benefit plan

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

6. Deferred outflows

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 a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

7. Deferred inflows

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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

8. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

9. Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)**

10. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**H. Revenues and Expenditures/Expenses**

1. Program revenues

Amounts reported as *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 or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**H. Revenues and Expenditures/Expenses (Concluded)**

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2019, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund:	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	7.00

3. Compensated absences

The District's policy permits employees to accumulate earned, but unused, vacation and other leave time, based on the length of 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. The liability for compensated absences includes salary and related benefits, where applicable.

4. Long-term obligations

In the government-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 are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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 issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Standard &amp; Poor's rating</u>	<u>%</u>
MILAF+ Cash Mgmt Class	\$ 39	0.0027	AAAm	0.01%
MILAF+ MAX Class	422,414	0.0027	AAAm	99.99%
Total fair value	<u>\$ 422,453</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. The two pooled investment funds utilized by the District are the Michigan Investment Liquid Asset Fund Cash Mgmt Class and Max Class (MILAF). These are external pooled investment funds of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2019, the fair value of the District’s investments is the same as the value of the pool shares.

MILAF Cash Mgmt Class and Max Class funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

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

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, the District did not have investments in commercial paper and corporate bonds.

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



**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2019, \$3,593,874 of the District's bank balance of \$4,093,874 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of all deposits is \$3,494,661.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

**Fair value measurement.** The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not hold any investments that are subject to fair value measurement.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)**

At June 30, 2019, the carrying amount is as follows:

Deposits - including fiduciary fund of \$208,353	\$ 3,494,661
Investments	<u>422,453</u>
	<u><u>\$ 3,917,114</u></u>

The above amounts are reported in the financial statements as follows:

Cash and cash equivalents - agency fund	\$ 208,353
Cash and cash equivalents - District-wide	3,286,308
Restricted investments - 2016 capital projects	<u>422,453</u>
	<u><u>\$ 3,917,114</u></u>

**NOTE 3 - CAPITAL ASSETS**

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 12,802	\$ -	\$ -	\$ 12,802
Capital assets, being depreciated:				
Buildings and improvements	36,475,991	63,831	-	36,539,822
Furniture and equipment	4,896,673	421,897	-	5,318,570
Vehicles	1,088,287	84,109	34,674	1,137,722
Total capital assets, being depreciated	<u>42,460,951</u>	<u>569,837</u>	<u>34,674</u>	<u>42,996,114</u>
Accumulated depreciation:				
Buildings and improvements	12,920,861	825,845	-	13,746,706
Furniture and equipment	4,303,957	152,720	-	4,456,677
Vehicles	871,873	48,440	34,674	885,639
Total accumulated depreciation	<u>18,096,691</u>	<u>1,027,005</u>	<u>34,674</u>	<u>19,089,022</u>
Net capital assets being depreciated	<u>24,364,260</u>	<u>(457,168)</u>	<u>-</u>	<u>23,907,092</u>
Net governmental capital assets	<u><u>\$ 24,377,062</u></u>	<u><u>\$ (457,168)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,919,894</u></u>

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS (Concluded)**

Depreciation expense was charged to the District as follows:

Governmental activities:	
Instruction	\$ 351,235
Support services	525,827
Unallocated	149,943
	<u>149,943</u>
Total governmental activities	<u><u>\$ 1,027,005</u></u>

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2019 consist of the following:

Governmental units:	
State aid	\$ 2,412,689
Federal revenue	149,551
	<u>149,551</u>
	<u><u>\$ 2,562,240</u></u>

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligations for the District for the year ended June 30, 2019:

	Compensated absences	General obligation bonds	Notes from direct borrowings and direct placements	Total
Balance, July 1, 2018	\$ 193,045	\$ 13,818,004	\$ 300,000	\$ 14,311,049
Additions	112,665	-	416,538	529,203
Deletions	(112,007)	(1,687,546)	(75,000)	(1,874,553)
Balance, June 30, 2019	193,703	12,130,458	641,538	12,965,699
Due within one year	78,431	1,635,000	152,977	1,866,408
Due in more than one year	<u>\$ 115,272</u>	<u>\$ 10,495,458</u>	<u>\$ 488,561</u>	<u>\$ 11,099,291</u>

Interest expense for the year ended June 30, 2019 was approximately \$369,000.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (Continued)**

Long-term obligations at June 30, 2019 are comprised of the following:

**General obligation bonds:**

\$10,460,000 2015 Refunding Bonds due in annual installments ranging from \$590,000 to \$805,000 through May 1, 2029, with interest of 5.00%.	\$ 6,970,000
\$5,405,000 2016 Building and Site Bonds, due in annual installments ranging from \$155,000 to \$830,000 through May 1, 2025, with interest ranging from 1.40% to 2.25%.	3,985,000
Plus issuance premiums	<u>1,175,458</u>
Total general obligation bonds	<u>12,130,458</u>

**Notes from direct borrowings and direct placements:**

\$416,538 Security System Installment Purchase Agreement, due in annual installments ranging from \$77,977 to \$87,863 through November 1, 2023, with interest of 2.55%.	416,538
\$900,000 Energy Installment Purchase Agreement, due in annual installments of \$75,000 through May 1, 2022, with interest of 3.48%.	<u>225,000</u>
Total notes from direct borrowings and direct placements	<u>641,538</u>
Total general obligation bonds and notes from direct borrowings and direct placements	12,771,996
Compensated absences	<u>193,703</u>
Total general long-term obligations	<u><u>\$ 12,965,699</u></u>

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$641,538 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2019, \$8,420,000 of bonds outstanding are considered defeased.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (Concluded)**

The annual requirements to amortize long-term obligations outstanding, exclusive of compensated absences, as of June 30, 2019, including interest payments of \$2,108,871 are as follows:

Year ending June 30,	General obligation bonds		Notes from direct borrowings and direct placements		Compensated absences	Total
	Principal	Interest	Principal	Interest		
2020	\$ 1,635,000	\$ 420,326	\$ 152,977	\$ 19,956	\$ -	\$ 2,228,259
2021	1,420,000	368,456	156,471	13,853	-	1,958,780
2022	1,510,000	319,386	158,548	9,166	-	1,997,100
2023	1,545,000	267,886	85,679	4,425	-	1,902,990
2024	1,515,000	215,188	87,863	2,241	-	1,820,292
2025 - 2029	3,330,000	467,988	-	-	-	3,797,988
	10,955,000	2,059,230	641,538	49,641	-	13,705,409
Issuance premium	1,175,458	-	-	-	-	1,175,458
Compensated absences	-	-	-	-	193,703	193,703
	<u>\$12,130,458</u>	<u>\$ 2,059,230</u>	<u>\$ 641,538</u>	<u>\$ 49,641</u>	<u>\$ 193,703</u>	<u>\$15,074,570</u>

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The Michigan Public School Employees' Retirement System (MPSERS) (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www.michigan.gov/ors](http://www.michigan.gov/ors) schools.

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 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 & 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 of the System.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Benefits Provided - Overall**

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

<u>Plan name</u>	<u>Plan Type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

**Benefits Provided - Pension**

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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

**Pension Reform 2010**

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

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**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.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

**Option 1** - 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

**Option 2** - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If 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.

**Option 3** - 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.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Pension Reform 2012 (Concluded)**

**Option 4** - 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 the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

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 and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

**Final Average Compensation (FAC)** - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

**Pension Reform of 2017**

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes 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.



**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Benefits Provided - Other Postemployment Benefit (OPEB)**

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 health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

**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 will be deposited into their 401(k) accounts.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Regular Retirement (no reduction factor for age)**

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - 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.

**Member Contributions**

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

**Employer Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment Benefits (OPEB). 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 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.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other postemployment benefit
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Employer Contributions (Concluded)**

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$2,498,000, with \$2,468,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately \$704,000, with \$676,000 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

**Pension Liabilities**

At June 30, 2019, the District reported a liability of \$28,628,528 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 date of September 30, 2017, and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.09523% and 0.09492%.

<u>MPSERS (Plan) Non-university employers:</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total pension liability	\$ 79,863,694,444	\$ 72,407,218,688
Plan fiduciary net position	\$ 49,801,889,205	\$ 46,492,967,573
Net pension liability	\$ 30,061,805,239	\$ 25,914,251,115
Proportionate share	0.09523%	0.09492%
Net pension liability for the District	\$ 28,628,528	\$ 24,598,468

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**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 approximately \$3,922,000.

At June 30, 2019, the Reporting Unit 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
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 884,614	\$ 24,333
Differences between expected and actual experience	132,842	208,039
Changes of assumptions	6,630,343	-
Net difference between projected and actual plan investments earnings	-	1,957,464
Reporting Unit's contributions subsequent to the measurement date	2,256,224	-
	\$ 9,904,023	\$ 2,189,836

\$2,256,224, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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 September 30,	Amount
2019	\$ 2,301,510
2020	1,713,020
2021	1,049,314
2022	394,119

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

**OPEB Liabilities**

At June 30, 2019, the District reported a liability of \$7,571,904 for its proportionate share of the 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 date of September 30, 2017, and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.09526% and 0.09480%.

<u>MPERS (Plan) Non-university employers:</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total other postemployment benefit liability	\$ 13,932,170,264	\$ 13,920,945,991
Plan fiduciary net position	\$ 5,983,218,473	\$ 5,065,474,948
Net other postemployment benefit liability	\$ 7,948,951,791	\$ 8,855,471,043
Proportionate share	0.09526%	0.09480%
Net other postemployment benefit liability for the District	\$ 7,571,904	\$ 8,394,855

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**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 \$467,000.

At June 30, 2019, the Reporting Unit 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
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 34,752	\$ 1,672
Differences between expected and actual experience	-	1,409,326
Changes of assumptions	801,869	-
Net difference between projected and actual plan investments earnings	-	291,006
Reporting Unit's contributions subsequent to the measurement date	582,546	-
	\$ 1,419,167	\$ 1,702,004

\$582,546, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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 September 30,	Amount
2019	\$ (214,675)
2020	(214,675)
2021	(214,675)
2022	(155,326)
2023	(66,033)

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Actuarial Assumptions**

**Investment rate of return for pension** - 7.05% a year, compounded annually net of investment and administrative expenses for the non-hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the hybrid group (Pension Plus Plan).

**Investment rate of return for OPEB** - 7.15% a year, compounded annually net of investment and administrative expenses.

**Salary increases** - The rate of pay increase used for individual members is 2.75%.

**Inflation** - 3.0%.

**Mortality assumptions:**

*Retirees:* RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for morality improvements using projection scale MP-2017 from 2006.

*Active:* RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for morality 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.

**Experience study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2017. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

**The long-term expected rate of return on pension and other postemployment benefit plan investments** - The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Cost of living pension adjustments** - 3.0% annual non-compounded for MIP members.

**Healthcare cost trend rate for other postemployment benefit** - 7.5% for year one and graded to 3.0% in year twelve.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Actuarial Assumptions (Continued)**

**Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012:**

Opt Out Assumption - 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 coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment category</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	3.9%
Absolute Return Pools	15.5%	5.2%
Short Term Investment Pools	2.0%	0.0%
	<u>100.0%</u>	

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

**Pension discount rate** - A single discount rate of 7.05% was used to measure the total pension liability (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts 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.



**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Actuarial Assumptions (Continued)**

**OPEB discount rate** - A single 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 school districts 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 net pension liability to changes in the discount rate** - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit'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 than the current rate:

	Pension		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 37,587,046	\$ 28,628,528	\$ 21,185,455

**Sensitivity of the net OPEB liability to changes in the discount rate** - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit'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 than the current rate:

	Other postemployment benefits		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 9,089,917	\$ 7,571,904	\$ 6,295,070

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Concluded)**

**Actuarial Assumptions (Concluded)**

**Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates** - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefits		
	1% Decrease	Healthcare cost trend rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 6,227,808	\$ 7,571,904	\$ 9,113,857

**Pension and OPEB Plan 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 2016 Comprehensive Annual Financial Report.

**Payable to the pension and OPEB plan** - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**NOTE 7 - RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RISK MANAGEMENT (Concluded)**

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance

**NOTE 8 - TRANSFERS**

The general fund transferred \$2,101 to the food service fund for current year GSRP and at-risk meal reimbursements. The food service fund transferred \$63,000 to the general fund for current year indirect costs reimbursement.

**NOTE 9 - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CENTRAL MONTCALM PUBLIC SCHOOLS  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2019**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>REVENUES:</b>				
Local sources	\$ 1,836,581	\$ 1,865,842	\$ 1,861,513	\$ (4,329)
State sources	13,232,223	12,960,308	12,880,370	(79,938)
Federal sources	598,289	673,341	582,782	(90,559)
Incoming transfers and other	311,500	346,845	343,753	(3,092)
Total revenues	<u>15,978,593</u>	<u>15,846,336</u>	<u>15,668,418</u>	<u>(177,918)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	7,817,687	7,892,439	7,784,023	108,416
Added needs	2,421,446	2,396,602	2,245,425	151,177
Total instruction	<u>10,239,133</u>	<u>10,289,041</u>	<u>10,029,448</u>	<u>259,593</u>
Supporting services:				
Pupil	855,875	885,095	866,609	18,486
Instructional staff	775,890	706,105	593,707	112,398
General administration	471,296	453,533	409,834	43,699
School administration	860,426	845,057	840,965	4,092
Business	206,599	214,181	209,743	4,438
Operations and maintenance	1,668,781	1,623,007	1,538,708	84,299
Pupil transportation services	793,009	869,452	790,685	78,767
Central	286,253	651,446	610,597	40,849
Other	237,834	247,322	217,001	30,321
Total supporting services	<u>6,155,963</u>	<u>6,495,198</u>	<u>6,077,849</u>	<u>417,349</u>
Community service	-	5,400	1,980	3,420
Debt service	85,440	85,440	85,440	-
Total expenditures	<u>16,480,536</u>	<u>16,875,079</u>	<u>16,194,717</u>	<u>680,362</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(501,943)</u>	<u>(1,028,743)</u>	<u>(526,299)</u>	<u>502,444</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from installment purchase		416,538	416,538	-
Transfers in	-	64,000	63,000	(1,000)
Transfers out	(5,753)	(5,400)	(2,101)	3,299
Total other financing sources (uses)	<u>(5,753)</u>	<u>475,138</u>	<u>477,437</u>	<u>2,299</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (507,696)</u>	<u>\$ (553,605)</u>	<u>(48,862)</u>	<u>\$ 504,743</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>3,385,006</u>	
End of year			<u>\$ 3,336,144</u>	

**CENTRAL MONTCALM PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.09523%	0.09492%	0.09206%	0.08686%	0.08658%
Reporting Unit's proportionate share of net pension liability	\$ 28,628,528	\$ 24,598,468	\$ 22,968,783	\$ 21,215,454	\$ 19,070,313
Reporting Unit's covered-employee payroll	\$ 8,075,334	\$ 7,950,895	\$ 7,952,870	\$ 6,896,273	\$ 7,055,881
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	354.52%	309.38%	288.81%	307.64%	270.28%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 2,468,084	\$ 2,479,009	\$ 2,215,927	\$ 1,946,425	\$ 1,588,054
Contributions in relation to statutorily required contributions	<u>2,468,084</u>	<u>2,479,009</u>	<u>2,215,927</u>	<u>1,946,425</u>	<u>1,588,054</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 8,071,571	\$ 8,005,846	\$ 7,911,372	\$ 7,041,731	\$ 6,922,934
Contributions as a percentage of covered-employee payroll	30.58%	30.96%	28.01%	27.64%	22.94%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.09526%	0.09480%
Reporting Unit's proportionate share of net OPEB liability	\$ 7,571,904	\$ 8,394,855
Reporting Unit's covered-employee payroll	\$ 8,075,334	\$ 7,950,895
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	93.77%	105.58%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.



**CENTRAL MONTCALM PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 675,902	\$ 700,028
Contributions in relation to statutorily required contributions	<u>675,902</u>	<u>700,028</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 8,071,571	\$ 8,005,846
Contributions as a percentage of covered-employee payroll	8.37%	8.74%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

Pension Information

**Benefit changes** - there were no changes of benefit terms in 2018.

**Changes of assumptions** - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

OPEB Information

**Benefit changes** - there were no changes of benefit terms in 2018.

**Changes of assumptions** - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for decreased to 7.15% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%.

Healthcare cost trend rate decreased to 7.50% Year 1 graded to 3.00% Year 12 from 7.50% Year 1 graded to 3.50% Year 12.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**CENTRAL MONTCALM PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2019**

	<u>Special revenue</u>	<u>2016 Capital projects</u>	<u>Debt service</u>	<u>Total nonmajor funds</u>
	<u>Food service</u>	<u>2016 Capital projects</u>	<u>Debt service</u>	<u>Total nonmajor funds</u>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 339,331	\$ -	\$ 613,101	\$ 952,432
Accounts receivable	264	-	-	264
Taxes receivable	-	-	317	317
Intergovernmental receivables	5,329	-	-	5,329
Inventories	8,524	-	-	8,524
Prepays	216	-	-	216
Restricted investments	-	422,453	-	422,453
	<u>\$ 353,664</u>	<u>\$ 422,453</u>	<u>\$ 613,418</u>	<u>\$ 1,389,535</u>
<b>Total assets</b>				
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 4,137	\$ -	\$ -	\$ 4,137
Unearned revenue	482	-	-	482
	<u>4,619</u>	<u>-</u>	<u>-</u>	<u>4,619</u>
<b>Total liabilities</b>				
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories	8,524	-	-	8,524
Prepays	216	-	-	216
Restricted for:				
Debt service	-	-	613,418	613,418
Capital projects	-	422,453	-	422,453
Food service	340,305	-	-	340,305
	<u>349,045</u>	<u>422,453</u>	<u>613,418</u>	<u>1,384,916</u>
<b>Total fund balances</b>				
<b>TOTAL LIABILITIES AND FUND BALANCES</b>				
	<u>\$ 353,664</u>	<u>\$ 422,453</u>	<u>\$ 613,418</u>	<u>\$ 1,389,535</u>

**CENTRAL MONTCALM PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2019**

	<u>Special revenue Food service</u>	<u>2016 Capital projects</u>	<u>Debt service</u>	<u>Total nonmajor funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ -	\$ -	\$ 2,112,665	\$ 2,112,665
Investment earnings	1,012	9,919	5,327	16,258
Food sales	164,452	-	-	164,452
Other	31	-	-	31
Total local sources	<u>165,495</u>	<u>9,919</u>	<u>2,117,992</u>	<u>2,293,406</u>
State sources	28,419	-	-	28,419
Federal sources	638,705	-	-	638,705
Total revenues	<u>832,619</u>	<u>9,919</u>	<u>2,117,992</u>	<u>2,960,530</u>
<b>EXPENDITURES:</b>				
Current:				
Food service activities	770,058	-	-	770,058
Capital outlay	6,080	63,831	-	69,911
Debt service:				
Principal repayment	-	-	1,570,000	1,570,000
Interest	-	-	462,405	462,405
Other	-	-	1,183	1,183
Total expenditures	<u>776,138</u>	<u>63,831</u>	<u>2,033,588</u>	<u>2,873,557</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>56,481</u>	<u>(53,912)</u>	<u>84,404</u>	<u>86,973</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,101	-	-	2,101
Transfers out	(63,000)	-	-	(63,000)
Total other financing sources (uses)	<u>(60,899)</u>	<u>-</u>	<u>-</u>	<u>(60,899)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(4,418)</u>	<u>(53,912)</u>	<u>84,404</u>	<u>26,074</u>
<b>FUND BALANCES:</b>				
Beginning of year	<u>353,463</u>	<u>476,365</u>	<u>529,014</u>	<u>1,358,842</u>
End of year	<u>\$ 349,045</u>	<u>\$ 422,453</u>	<u>\$ 613,418</u>	<u>\$ 1,384,916</u>

**CENTRAL MONTCALM PUBLIC SCHOOLS  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2019**

	<u>2012</u> <u>Refunding</u>	<u>2015</u> <u>Refunding</u>	<u>2016</u>	<u>Totals</u>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 126,993	\$ 483,903	\$ 2,205	\$ 613,101
Taxes receivable	-	200	117	317
<b>TOTAL ASSETS</b>	<u>\$ 126,993</u>	<u>\$ 484,103</u>	<u>\$ 2,322</u>	<u>\$ 613,418</u>
<b>FUND BALANCES</b>				
<b>FUND BALANCES:</b>				
Restricted for debt service	<u>\$ 126,993</u>	<u>\$ 484,103</u>	<u>\$ 2,322</u>	<u>\$ 613,418</u>

**CENTRAL MONTCALM PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2019**

	<u>2012</u> <u>Refunding</u>	<u>2015</u> <u>Refunding</u>	<u>2016</u>	<u>Totals</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ -	\$ 1,291,843	\$ 820,822	\$ 2,112,665
Investment earnings	-	5,327	-	5,327
Total revenues	-	1,297,170	820,822	2,117,992
<b>EXPENDITURES:</b>				
Principal repayment	-	830,000	740,000	1,570,000
Interest	-	381,700	80,705	462,405
Other	-	1,183	-	1,183
Total expenditures	-	1,212,883	820,705	2,033,588
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	84,287	117	84,404
<b>FUND BALANCES:</b>				
Beginning of year	126,993	399,816	2,205	529,014
End of year	<u>\$ 126,993</u>	<u>\$ 484,103</u>	<u>\$ 2,322</u>	<u>\$ 613,418</u>

**CENTRAL MONTCALM PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued revenue 7/1/2018	Adjustments	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued revenue 6/30/2019
<u>U.S. Department of Agriculture:</u>									
Passed through Michigan Department of Education:									
Child Nutrition Cluster:									
Non-Cash Assistance (Donated Food):									
National School Lunch Program:									
Entitlement	10.555		\$ 53,668	\$ -	\$ -	\$ -	\$ 53,668	\$ 53,668	\$ -
Cash Assistance:									
National School Lunch Program	10.555	181960	67,270	6,154	-	-	73,424	67,270	-
National School Lunch Program	10.555	191960	375,777	-	-	-	375,777	375,777	-
			<u>443,047</u>	<u>6,154</u>	<u>-</u>	<u>-</u>	<u>449,201</u>	<u>443,047</u>	<u>-</u>
Total CFDA # 10.555 National School Lunch Program			<u>496,715</u>	<u>6,154</u>	<u>-</u>	<u>-</u>	<u>502,869</u>	<u>496,715</u>	<u>-</u>
School Breakfast Program	10.553	181970	18,397	2,149	-	-	20,546	18,397	-
School Breakfast Program	10.553	191970	119,301	-	-	-	119,301	119,301	-
			<u>137,698</u>	<u>2,149</u>	<u>-</u>	<u>-</u>	<u>139,847</u>	<u>137,698</u>	<u>-</u>
Total Cash Assistance			<u>580,745</u>	<u>8,303</u>	<u>-</u>	<u>-</u>	<u>589,048</u>	<u>580,745</u>	<u>-</u>
Summer Food Service Program for Children	10.559	180900	3,882	-	-	-	3,882	3,882	-
Summer Food Service Program for Children	10.559	181900	410	-	-	-	410	410	-
			<u>4,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,292</u>	<u>4,292</u>	<u>-</u>
Total Child Nutrition Cluster			<u>638,705</u>	<u>8,303</u>	<u>-</u>	<u>-</u>	<u>647,008</u>	<u>638,705</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>638,705</u>	<u>8,303</u>	<u>-</u>	<u>-</u>	<u>647,008</u>	<u>638,705</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.



**CENTRAL MONTCALM PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued revenue 7/1/2018	Adjustments	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued revenue 6/30/2019
<u>U.S. Department of Education:</u>									
Passed through Michigan Department of Education:									
Title I Grants to Local Educational Agencies	84.010	181530-1718	\$ 509,096	\$ 146,089	\$ -	\$ 472,994	\$ 145,818	\$ -	\$ 271
Title I Grants to Local Educational Agencies	84.010	191530-1819	467,512	-	-	-	316,140	430,368	114,228
			976,608	146,089	-	472,994	461,958	430,368	114,499
Supporting Effective Instruction State Grants	84.367	180520-1718	126,198	19,047	(784)	76,525	19,930	1,667	-
Supporting Effective Instruction State Grants	84.367	190520-1819	141,957	-	-	-	47,934	80,943	33,009
			268,155	19,047	(784)	76,525	67,864	82,610	33,009
Student Support and Academic Enrichment Program	84.424	180750-1718	10,000	-	-	-	10,000	10,000	-
Student Support and Academic Enrichment Program	84.424	190750-1819	32,584	-	-	-	27,441	29,484	2,043
			42,584	-	-	-	37,441	39,484	2,043
Rural Education	84.358	180660-1718	28,802	28,802	-	28,802	28,802	-	-
Rural Education	84.358	190660-1819	30,320	-	-	-	30,320	30,320	-
			59,122	28,802	-	28,802	59,122	30,320	-
Total U.S. Department of Education			1,346,469	193,938	(784)	578,321	626,385	582,782	149,551
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,985,174</b>	<b>\$ 202,241</b>	<b>\$ (784)</b>	<b>\$ 578,321</b>	<b>\$ 1,273,393</b>	<b>\$ 1,221,487</b>	<b>\$ 149,551</b>

The accompanying notes are an integral part of this schedule.

**CENTRAL MONTCALM PUBLIC SCHOOLS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Central Montcalm Public Schools under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Central Montcalm Public Schools, it is not intended to and does not present the financial position or changes in net position of Central Montcalm Public Schools.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Central Montcalm Public Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Management has utilized the Cash Management System (CMS) and Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal awards.

**NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS**

Federal expenditures are reported as revenue in the following funds in the financial statements for the year ending June 30, 2019:

General fund	\$ 582,782
Other nonmajor governmental funds	<u>638,705</u>
Total per financial statements	<u><u>\$ 1,221,487</u></u>

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

To the Board of Education  
Central Montcalm Public 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, each major fund, and the aggregate remaining fund information of Central Montcalm Public Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Central Montcalm Public Schools' basic financial statements and have issued our report thereon dated September 4, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Maney Costeiran PC*

September 4, 2019

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education  
Central Montcalm Public Schools

**Report on Compliance for Each Major Federal Program**

We have audited Central Montcalm Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Central Montcalm Public Schools' major federal programs for the year ended June 30, 2019. Central Montcalm Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Central Montcalm Public Schools' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Central Montcalm Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

Central Montcalm Public Schools' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Central Montcalm Public Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Manes Costeiran PC*

September 4, 2019

**CENTRAL MONTCALM PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

**Section I - Summary of Auditor's Results**

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***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified:        Yes   X   No
- Significant deficiency(ies) identified?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified:        Yes   X   No
- Significant deficiency(ies) identified?   X   Yes

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?   X   Yes        No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, and 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes        No

**Section II - Financial Statement Findings**

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None



**CENTRAL MONTCALM PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

**Section III - Federal Award Findings and Questioned Costs**

**Finding 2019-001** Considered a significant deficiency

<b>Federal Program:</b>	Child Nutrition Cluster
<b>CFDA #:</b>	10.553, 10.555 and 10.559
<b>Federal agency:</b>	U.S. Department of Agriculture
<b>Pass-through entity:</b>	Michigan Department of Education
<b>Pass-through number:</b>	171960, 181960, 171970, 181970, 170900, 171900

**Criteria:** In order to comply with Michigan Department of Education requirements, the District's food service fund balance cannot exceed 3 months of operating expenditures.

**Condition:** Central Montcalm Public Schools' currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during the current school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess funds cannot be transferred to the general fund.

**Questioned Costs:** None

**Cause:** The District's corrective action plan, which was approved by the Michigan Department of Education, was insufficient to reduce the fund balance.

**Effect:** The District continues to have excessive fund balance in the non-profit food service fund.

**Recommendation:** The District should implement a budget, as well as the required Michigan Department of Education corrective action plan, for the 2019-20 school year that will adequately reduce the food service fund balance.

**Status:** The District will implement an appropriate budget and required Michigan Department of Education corrective action plan for 2019-20 to adequately reduce the excessive fund balance.

# Central Montcalm Public School Board of Education

1480 S. Sheridan Rd./P.O. Box 9 Stanton, Michigan 48888

Phone: (989) 831-2000 Fax: (989) 831-2010

www.central-montcalm.org

## **CORRECTIVE ACTION PLAN CONTACT: AMY MEINHARDT OVERSIGHT AGENCY: U.S. DEPARTMENT OF AGRICULTURE**

Central Montcalm Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2019.

**Auditor:** Maner Costerisan  
2425 E. Grand River Avenue, Suite 1  
Lansing, Michigan 48912

**Audit Period:** Year ended June 30, 2019

**District responsible individual to implement this plan:** Amy Meinhardt

The findings above from the June 30, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **Findings - Federal Awards**

**Finding 2019-001** Considered a significant deficiency

**Recommendation:** The District should implement a budget, as well as the required Michigan Department of Education corrective action plan, for the 2019-20 school year that will adequately reduce the food service fund balance.

**Action to be taken:** Management agrees with the findings and we are in process of making the necessary changes to appropriately reduce the non-profit food service fund balance. Required spending will be included in our 2019-2020 budget.



**CENTRAL MONTCALM PUBLIC SCHOOLS  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2019**

**Finding 2018-001** Considered a significant deficiency

**Condition:** Central Montcalm Public Schools' had more than the allowable fund balance in the non-profit food service fund.

**Status:** The District's fund balance in the non-profit food service fund still exceeds U.S. Department of Agriculture guidelines. We do not consider this issue resolved. See finding 2019-001.

**Finding 2018-002** Considered a significant deficiency

**Condition:** Central Montcalm Public Schools' administrative review indicated that one of the families selected for verification provided only net pay information, when gross pay is required. Because of this, three students should have been moved to full pay lunch, but were instead allowed to continue receiving benefits for the remainder of the year.

**Status:** Management implemented the corrective action plan in the current year to ensure that any students with incorrect or incomplete information were properly removed from receiving benefits. We consider this issue resolved.

September 4, 2019

To the Board of Education  
Central Montcalm Public Schools

We have audited the financial statements of Central Montcalm Public Schools for the year ended June 30, 2019, and have issued our report thereon dated September 4, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Central Montcalm Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether Central Montcalm Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about Central Montcalm Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Central Montcalm Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Central Montcalm Public Schools' compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statement, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

#### Significant Audit Findings

##### *1. Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Central Montcalm Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

Management's estimate in calculating the liability for employee compensated absences:

The estimated liability is approximately \$193,703. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

2. *Difficulties Encountered in Performing the Audit*

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

3. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We did not detect any corrected or uncorrected misstatements.

4. *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 4, 2019.

6. *Management Consultations with Other Independent Accountants*

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

7. *Other Audit Findings or Issues*

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

8. *Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

A separate management letter was not issued.

This information is intended solely for the use of the Board of Education and management of Central Montcalm Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Manes Costeiran PC*