# CARSONVILLE-PORT SANILAC SCHOOLS

## Carsonville, Michigan

*Report on Financial Statements*
*(with required supplementary information and*
*additional supplementary information)*
*Year Ended June 30, 2019*

***CARSONVILLE-PORT SANILAC SCHOOLS***

*Table of Contents*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Jamie L. Peasley, CPA
……
Jerry J. Bernhardt, CPA
Timothy D. Franzel
David A. Ondrajka, CPA
Laura J. Steffen, CPA
Brent Shaw, CPA
Angela M. Burnette, CPA
Chelsie M. Peruski, CPA
Kendra K. Bednarski, CPA

# INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Carsonville-Port Sanilac 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 Carsonville-Port Sanilac Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

715 East Frank Street • Caro, MI 48723
989-673-3137 fax: 989-673-3375
1-800-234-8829
2956 Main Street • Marlette, MI 48453
989-635-7545 fax: 989-635-7547
6476 Main St, Suite 1 • Cass City, MI 48726
989-872-3730 fax: 989-872-3978
www.atbdcpa.com email us at cpa@atbdcpa.com

***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 out 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 Carsonville-Port Sanilac Schools' basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 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 information has been subjected to the auditing procedures applied in the audit of the 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 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 October 11, 2019 on our consideration of Carsonville-Port Sanilac Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Carsonville-Port Sanilac School's 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 Carsonville-Port Sanilac Schools' internal control over financial reporting and compliance.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 11, 2019

This section of the Carsonville-Port Sanilac School District's (CPS) 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.

**Overview of the Financial Statements**

This annual report consists of four parts: Management's Discussion and Analysis (this section), the basic financial statements, the required supplementary information, and additional supplementary information. 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. The figure below shows how the various parts of this annual report are arranged and related to one another. The basic financial statements include two types of statements that present different views of the District.

The two types of statements are district-wide and fund financial statements. The district-wide statement presents the information accumulative of all District activity. The fund financial statements look at the information for each fund independently.

***Figure A-1***
***Carsonville-Port Sanilac Schools***
***Organization of Annual Financial Report***

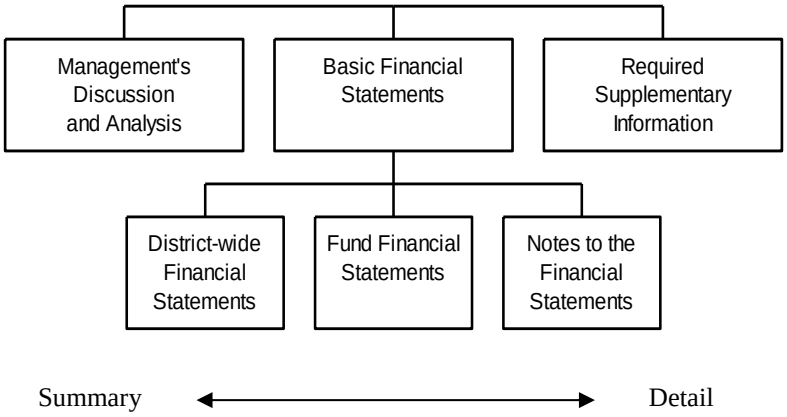


Figure A-1 shows how the various part of this annual report are arranged and related to one another.

**Figure A-2**
**Major Features of District-Wide and Fund Financial Statements**

| | | Fund Financial Statements | |
|---|---|---|---|
| Scope | District-wide Statements | Governmental Funds | Fiduciary Funds |
| | 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<br>Statement of activities | Balance sheet<br>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 CPS's 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.

**Financial Highlights**

The District's general fund financial situation improved from the 2018 fiscal year to 2019. For the 2018-2019 fiscal year, the fund balance in the general fund increased by $75,530. Total general fund revenues were $3.86 million and total general fund expenditures funds were $3.79 million. The District kept a continued focus on reducing expenses by staffing to enrollment, negotiated fiscally responsible contracts with employee groups and maximized utilization of state and federal funding outside the per pupil state aide to support student learning. The District's state aid membership for the 2018-2019 school year was a 3 year blended count of 382 students compared to 379 for the 2017-2018 school year.

The 2015 Refunding had a increase in fund balance of $13,345 resulting in $134,179 currently available to service those outstanding obligations.

The Food Service fund recorded revenues of $210,472, which were less than expenditures of $211,517 by $1,045.

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds (Food Service), Debt Service Fund, and Capital Projects Sinking Fund. In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**Government-wide Financial Statements**

The government-wide financial statements, required by GASB 34, are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

**Summary of Net Position**

The following schedule summarizes the net position at fiscal year ended June 30, 2019 compared to June 30, 2018.

| **Assets** | **2019** | **2018** |
|---|---|---|
| Current assets | $ 1,643,340 | $ 1,431,417 |
| Capital assets | 13,578,549 | 13,539,557 |
| Less: accumulated depreciation | (9,541,282) | (9,261,877) |
| Total assets | 5,680,607 | 5,709,097 |
| **Deferred outflows of resources** | | |
| Deferred charge on refunding, net of amortization | 9,908 | 11,559 |
| Related to other postemployment benefits | 274,468 | 109,735 |
| Related to pensions | 1,840,149 | 1,071,939 |
| Total deferred outflows of resources | 2,124,525 | 1,193,233 |
| **Liabilities** | | |
| Current liabilities | 965,775 | 893,425 |
| Long-term liabilities | 9,452,604 | 9,311,234 |
| Total liabilities | 10,418,379 | 10,204,659 |
| **Deferred inflows of resources** | | |
| Related to pensions | 601,354 | 573,992 |
| Related to other postemployment benefits | 330,937 | 55,121 |
| Related to state aid funding for pension and other postemployment benefits | 198,908 | 194,063 |
| Total deferred inflows of resources | 1,131,199 | 823,186 |
| **Net Position** | | |
| Net investment in capital assets | 1,217,623 | 975,083 |
| Restricted for debt service | 118,470 | 102,824 |
| Restricted for capital projects (sinking fund) | 239,860 | 165,455 |
| Restricted for food service | 26,702 | 25,154 |
| Unrestricted | (5,347,101) | (5,394,031) |
| Total net position | $(3,744,446) | $(4,125,515) |

**Analysis of Financial Position**
During the fiscal year ended June 30, 2019, the District's net position increased by $381,069. A few of the more significant factors affecting net position during the year are discussed as follows.

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the amount of accumulated depreciation expense. The net increase in accumulated depreciation expense results in a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2019, $279,405 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions and Disposals**

The net effect of the acquisition of new capital assets, the disposal of old capital assets and the current year's depreciation is a decrease to capital assets in the amount of $240,413 for the fiscal year ended June 30, 2019.

**3. Long-Term**

During the 2019 fiscal year the District's total long-term liabilities decreased $484,394 from the prior year. The District's net pension liability increased from $4,779,751 to $5,587,014 during the 2019 fiscal year.

**Results of Operations**

For the fiscal year ended June 30, 2019, the results of operations, on a District-wide basis, were:

| **General Revenues** | **2019** | **% of Total** | **2018** | **% of Total** |
|---|---|---|---|---|
| Property taxes | $ 1,643,728 | 34.53% | $ 1,602,372 | 34.15% |
| Investment earnings | 823 | .01% | 475 | .01% |
| State sources | 2,109,159 | 44.32% | 2,017,200 | 42.99% |
| Other | 76,371 | 1.60% | 102,909 | 2.19% |
| Total general revenues | 3,830,081 | 80.46% | 3,722,956 | 79.34% |
| **Program Revenues** | | | | |
| Charges for services | 57,006 | 1.20% | 49,929 | 1.06% |
| Operating grants | 872,955 | 18.34% | 919,518 | 19.60% |
| Total program revenues | 929,961 | 19.54% | 969,477 | 20.66% |
| Total revenues | 4,760,042 | 100.00% | 4,692,403 | 100.00% |
| **Expenses** | | | | |
| Instruction | 2,269,110 | 51.82% | 2,212,841 | 52.22% |
| Support services | 1,445,727 | 33.02% | 1,344,032 | 31.72% |
| Community Services | 51,893 | 1.19% | 66,324 | 1.57% |
| Food services | 212,084 | 4.84% | 217,045 | 5.12% |
| Capital outlay | 38,992 | 0.89% | 25,273 | 0.60% |
| Interest on long-term debt | 81,762 | 1.86% | 94,892 | 2.24% |
| Unallocated depreciation | 279,405 | 6.38% | 277,367 | 6.55% |
| Total expenses | 4,378,973 | 100.00% | 4,237,774 | 100.00% |
| Increase/ (decrease) in net position | $ 381,069 | | $ 454,629 | |

**Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levies 18 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2018-2019 fiscal year, the district levied $946,501 non-homestead property taxes. This represented an increase of 1.9% from the prior year. The amount of unpaid property taxes at June 30, 2019, less an estimate for those deemed to be uncollectible, was $0.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

| Fiscal Year | Non-homestead Tax Levy | % Increase (Decrease) from prior year |
|---|---|---|
| 2018 – 2019 | $ 946,501 | 1.1% |
| 2017 – 2018 | $ 936,349 | (1.5%) |
| 2016 – 2017 | $ 950,436 | 6% |
| 2015 - 2016 | $ 896,589 | .22% |
| 2014 - 2015 | $ 894,631 | (.79%) |
| 2013 – 2014 | $ 901,722 | .86% |

**2. State Sources**

The majority of the state source revenue is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 90% of the September 2018 count and 10% of the February 2019 count. For the 2018 – 2019 fiscal year, the District's foundation allowance was $7,871 per student FTE, based on a 3 year blended rate.

**3. Student Enrollment**

The following schedule lists the actual student counts upon which state foundation revenue is based, for the past five fiscal years.

| | Enrollment | Change from Prior Year | % Change from Prior Year |
|---|---|---|---|
| 2018 – 2019 | 351.82 | (27.09) | (7.2%) |
| 2017 – 2018 | 378.91 | (37.06) | (8.9%) |
| 2016 – 2017 | 415.97 | 13.24 | 3.3% |
| 2015 – 2016 | 402.73 | (84.40) | (17.3%) |
| 2014 – 2015 | 487.13 | (51.01) | (9.5%) |
| 2013 – 2014 | 538.14 | (15.25) | (2.7%) |

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2019, federal, state and other grants accounted for $872,955. This represents a decrease of $46,563 from the total grant funds received for the 2017– 2018 fiscal year.

**5. Interest Earnings**

The District received interest on its investments in the amount of $823 for the fiscal year ended June 30, 2019. Interest revenues increased from the prior fiscal year by $348.

**6. Comparative Expenditures**

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

| Expenditures | 2018 – 2019 Fiscal Year | 2017 – 2018 Fiscal Year | Increase (Decrease) |
|---|---|---|---|
| Instruction | $ 2,254,402 | $ 2,323,571 | ($69,169) |
| Supporting services | 1,484,040 | 1,404,412 | 79,628 |
| Community services | 51,893 | 66,324 | (14,431) |
| Food service activities | 211,517 | 221,305 | (9,788) |
| Capital outlay | 38,992 | 25,273 | 13,719 |
| Debt Service | 563,903 | 561,860 | 2,043 |
| Other transfers | - | - | - |
| Total expenditures | $ 4,604,747 | $ 4,602,745 | $ 2,002 |

**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1st. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30th.

For the 2018 – 2019 fiscal year, the district amended the general fund budget two times with the Board adopting the final changes in June 2019. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

| | Original Budget | Final Budget | Actual | Variance with Final Budget | % Variance |
|---|---|---|---|---|---|
| Total revenues | $3,711,036 | $3,866,586 | $3,865,865 | $(721) | (.02)% |
| Expenditures: | | | | | |
| Instruction | 2,384,963 | 2,312,609 | 2,254,402 | 58,207 | 2.58% |
| Supporting services | 1,454,307 | 1,536,556 | 1,484,040 | 52,516 | 3.54% |
| Other | 69,027 | 53,718 | 51,893 | 1,825 | 3.52% |
| Total expenditures | 3,908,297 | 3,902,883 | 3,790,335 | 112,548 | 2.97% |
| Other financing sources Transfer to other funds | (1,550) | (1,000) | - | 1,000 | -% |
| Net Change in Fund Balance | ($198,811) | ($37,297) | 75,530 | $ 112,827 | |
| Fund Balance – Beginning of year | | | $ 699,521 | | |
| Fund Balance – End of year | | | $ 775,051 | | |

**Capital Asset and Debt Administration**

**Capital Assets**

As of the 2018 – 2019 fiscal year, the district had invested $13,578,549 in a broad range of capital assets, including land, school buildings, vehicles and various types of furniture and equipment. Depreciation expense for the year amounted to $279,405 bringing the net investment in capital assets to $4,037,267 as of June 30, 2019.

**Long- term Debt**

At June 30, 2019, the District had $2,875,996 in long-term debt outstanding. This represents a reduction of $484,394 over the amount outstanding at the close of the prior fiscal year.

**Factors Bearing on the District's Future**

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

The District increased its fund balance in the 2018 - 19 school year despite a loss of enrollment. However, it appears that enrollment for the 2019 - 20 school year will remain steady and possibly increase slightly allowing a more stable budget. With a strong fund equity of approximately 17%, we are looking for opportunities to add to our resources for teachers and students. The State average fund balance for school districts has been below 10% for schools below 500 students.

CPS is projecting a leveled enrollment for the 2019 - 20 school year. The adopted budget expected 343 students, but we are hopeful that number will be higher than expected. Recent year enrollment loss can be primarily attributable to our Alternative Education program which has previously serviced over 100 students and now services a quarter of that. Elementary and HS enrollments have stayed steady.

The District boasts of strong preschool and daycare programming which has been well attended, is a great support to our young families, and helps gauge future enrollment.

Fiscally responsible contracts have been negotiated with all employee bargaining units, and the same has been applied to all district employees. The District is truly appreciative and thankful for our employees and employee groups who have continued to make financial sacrifices. The 2018 - 19 bargaining agreement allowed for a wage increase, a chance to catch up on prior concessions, and the ability to share in any unexpected enrollment dollars.

State per-pupil funding increased for this school year, though below the cost of living adjustment. While it is unknown whether state funding will increase in coming years, it is known that state funding for 2017-18 was only 4.3% above 2007-2008, so there is growing awareness and pressure to increase per-pupil funding, and this is a campaign issue for this year's general election. Of course, it's also possible that this year's increase was politically-motivated and that either the lame-duck session or next year's legislature could continue to squeeze public schools and/or take other actions, such as unfunded mandates or other increased costs that could worsen our financial position.

A Sinking Fund Millage was passed in August of 2016 for five years. The District has been careful and conservative expending these funds but most recently undertook the project of replacing all boilers within the school district. Additionally, deteriorating siding was replaced on the football complex buildings and LED lighting was placed on parking lot light poles at both complexes. A renewal of this millage is tentatively scheduled for May 2019.

Districtwide, phone systems were replaced to increase classroom safety through the Michigan State Police Safety Grant program. Creatively using remaining funds, a number of safety projects were completed as well. A new door safety key fob system was implemented as well as manual key entrance system. New public address systems were installed in the HS gym, cafeteria and football complex as well as a system put in the elementary gymnasium that had never had one.

The District, while remaining good stewards, has made a commitment to technology replacing teacher laptops, office personnel desktops, purchasing 4 Smart TVs for classrooms, and 100 classroom Chromebooks.

CPS is looking enthusiastically toward the immediate future as a drop in necessary millage from 3.7 to 3.3, has encouraged a potential ballot initiative in May 2020 alongside the Sinking Fund renewal request. This request would ask taxpayers to remain paying at the 3.7 mill rate, which would generate nearly $2.7 million dollars for the District. Costing the taxpayer of a home with a market value of $100,000 only $20 a year, the outlook for success is high.

**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 financial information, please contact:

Mr. Doug Muxlow, Superintendent
Carsonville-Port Sanilac Schools
100 N. Goetze Rd.
Carsonville, MI 48419
(810) 657-9393

# BASIC FINANCIAL STATEMENTS

**CARSONVILLE-PORT SANILAC SCHOOLS**
STATEMENT OF NET POSITION
JUNE 30, 2019

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| ***ASSETS*** | |
| Cash and equivalents | $ 1,025,211 |
| Prepaid expenses | 2,244 |
| Receivables: | |
| Intergovernmental receivable | 612,131 |
| Due from agency fund | 3,754 |
| Capital assets not being depreciated | 150,000 |
| Capital assets, net of accumulated depreciation | 3,887,267 |
| ***TOTAL ASSETS*** | 5,680,607 |
| ***DEFERRED OUTFLOWS OF RESOURCES*** | |
| Deferred charge on refunding, net of amortization | 9,908 |
| Related to other postemployment benefits | 274,468 |
| Related to pensions | 1,840,149 |
| ***TOTAL DEFERRED OUTFLOWS OF RESOURCES*** | 2,124,525 |
| ***LIABILITIES*** | |
| Accounts payable | 51,808 |
| Accrued salaries and related items | 268,233 |
| Accrued retirement | 137,518 |
| Accrued interest | 15,709 |
| Due to other governmental units | 8,040 |
| Unearned revenue | 1,949 |
| Noncurrent liabilities: | |
| Due within one year | 482,518 |
| Due in more than one year | 2,393,478 |
| Net other postemployment benefit liabilities | 1,472,112 |
| Net pension liability | 5,587,014 |
| ***TOTAL LIABILITIES*** | 10,418,379 |
| ***DEFERRED INFLOWS OF RESOURCES*** | |
| Related to pensions | 601,354 |
| Related to other postemployment benefits | 330,937 |
| Related to state aid funding for pension | 198,908 |
| ***TOTAL DEFERRED INFLOWS OF RESOURCES*** | 1,131,199 |
| ***NET POSITION*** | |
| Net investment in capital assets | 1,217,623 |
| Restricted for debt service | 118,470 |
| Restricted for capital projects (sinking fund) | 239,860 |
| Restricted for food service | 26,702 |
| Unrestricted | (5,347,101) |
| ***TOTAL NET POSITION*** | $ (3,744,446) |

See notes to financial statements.

**CARSONVILLE-PORT SANILAC SCHOOLS**
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants | Governmental Activities: Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Instruction | $2,269,110 | $ - | $492,128 | $ (1,776,982) |
| Support services | 1,445,727 | 16,449 | 210,912 | (1,218,366) |
| Community services | 51,893 | - | - | (51,893) |
| Food services | 212,084 | 40,557 | 169,915 | (1,612) |
| Capital outlay | 38,992 | - | - | (38,992) |
| Interest on long-term debt | 81,762 | - | - | (81,762) |
| Unallocated depreciation | 279,405 | - | - | (279,405) |
| Total governmental activities | $4,378,973 | $ 57,006 | $872,955 | (3,449,012) |
| General revenues: | | | | |
| Property taxes, levied for general purposes | | | | 953,685 |
| Property taxes, levied for debt service | | | | 576,891 |
| Property taxes, levied for sinking fund | | | | 113,152 |
| State sources | | | | 2,109,159 |
| Investment revenue | | | | 823 |
| Other | | | | 76,371 |
| Total general revenue | | | | 3,830,081 |
| Change in net position | | | | 381,069 |
| Net position, beginning of year | | | | (4,125,515) |
| Net position, end of year | | | | $ (3,744,446) |

See notes to financial statements.

**CARSONVILLE-PORT SANILAC SCHOOLS**
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

| | GENERAL FUND | 2015 REFUNDING | CAPITAL PROJECTS SINKING FUND | NONMAJOR GOVERNMENTAL FUND (FOOD SERVICE) | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|
| ***ASSETS*** | | | | | |
| Cash and equivalents | $ 652,720 | $ 132,484 | $ 239,902 | $ 105 | $ 1,025,211 |
| Prepaid expenditures | 2,244 | - | - | - | 2,244 |
| Due from other governmental units | 603,363 | - | - | 8,768 | 612,131 |
| Due from agency fund | 3,754 | - | - | - | 3,754 |
| Due from other funds | - | 1,908 | - | 25,955 | 27,863 |
| ***TOTAL ASSETS*** | ***$ 1,262,081*** | ***$ 134,392*** | ***$ 239,902*** | ***$ 34,828*** | ***$ 1,671,203*** |
| ***LIABILITIES*** | | | | | |
| Accounts payable | $ 43,682 | $ - | $ - | $ 8,126 | $ 51,808 |
| Accrued salaries and related items | 268,233 | - | - | - | 268,233 |
| Accrued retirement | 137,518 | - | - | - | 137,518 |
| Due to other governmental units | 7,785 | 213 | 42 | - | 8,040 |
| Due to other funds | 27,863 | - | - | - | 27,863 |
| Unearned revenue | 1,949 | - | - | - | 1,949 |
| ***TOTAL LIABILITIES*** | 487,030 | 213 | 42 | 8,126 | 495,411 |
| ***FUND BALANCES*** | | | | | |
| Nonspendable: prepaid expenditures | 2,244 | - | - | - | 2,244 |
| Restricted for debt service | - | 134,179 | - | - | 134,179 |
| Restricted for food service | - | - | - | 26,702 | 26,702 |
| Restricted for capital projects (sinking fund) | - | - | 239,860 | - | 239,860 |
| Assigned for: | | | | | |
| Compensated absences | 46,444 | - | - | - | 46,444 |
| Subsequent year expenditures | 217,468 | - | - | - | 217,468 |
| Unassigned | 508,895 | - | - | - | 508,895 |
| ***TOTAL FUND BALANCES*** | 775,051 | 134,179 | 239,860 | 26,702 | 1,175,792 |
| ***TOTAL LIABILITIES AND FUND BALANCES*** | ***$ 1,262,081*** | ***$ 134,392*** | ***$ 239,902*** | ***$ 34,828*** | ***$ 1,671,203*** |

See notes to financial statements.

**CARSONVILLE-PORT SANILAC SCHOOLS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

| | |
|---|---|
| **Total Fund Balances - Governmental Funds** | $ 1,175,792 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Deferred outflows of resources - charges on refunding, net of amortization | 9,908 |
| Deferred outflows of resources - related to pensions | 1,840,149 |
| Deferred outflows of resources - related to other postemployment benefits | 274,468 |
| Deferred inflows of resources - related to pensions | (601,354) |
| Deferred inflows of resources - related to other postemployment benefits | (330,937) |
| Deferred inflows of resources - related to state pension funding | (198,908) |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | |
| The cost of the capital assets | 13,578,549 |
| Accumulated depreciation is | (9,541,282) |
| Long term liabilities are not due and payable in the current period and are not reported in the funds | |
| Long-term debt obligations | (2,829,552) |
| Compensated absences & retirement incentives | (46,444) |
| Net other postemployment benefit liabilities | (1,472,112) |
| Net pension liability | (5,587,014) |
| Accrued interest is not reported as a liability in governmental funds; it is recorded when paid: | |
| Accrued interest | (15,709) |
| **Net Position of Governmental Activities** | $ (3,744,446) |

See notes to financial statements.

**CARSONVILLE-PORT SANILAC SCHOOLS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

| | GENERAL FUND | 2015 REFUNDING | CAPITAL PROJECTS SINKING FUND | NONMAJOR GOVERNMENTAL FUND (FOOD SERVICE) | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| Local sources | | | | | |
| Property tax | $ 953,685 | $ 576,891 | $ 113,152 | $ - | $ 1,643,728 |
| Tuition | 62,542 | - | - | - | 62,542 |
| Investment earrings | 221 | 357 | 245 | - | 823 |
| Food sales | - | - | - | 40,511 | 40,511 |
| Other | 30,278 | - | - | 46 | 30,324 |
| Total local sources | 1,046,726 | 577,248 | 113,397 | 40,557 | 1,777,928 |
| State sources | 2,598,506 | - | - | 7,321 | 2,605,827 |
| Federal sources | 220,633 | - | - | 162,594 | 383,227 |
| TOTAL REVENUES | 3,865,865 | 577,248 | 113,397 | 210,472 | 4,766,982 |
| EXPENDITURES: | | | | | |
| Instruction | 2,254,402 | - | - | - | 2,254,402 |
| Supporting services | 1,484,040 | - | - | - | 1,484,040 |
| Community services | 51,893 | - | - | - | 51,893 |
| Food services | - | - | - | 211,517 | 211,517 |
| Capital outlay | - | - | 38,992 | - | 38,992 |
| Debt service: | | | | | |
| Principal redemption | - | 445,000 | - | - | 445,000 |
| Interest and fiscal charges | - | 118,400 | - | - | 118,400 |
| Other costs | - | 503 | - | - | 503 |
| TOTAL EXPENDITURES | 3,790,335 | 563,903 | 38,992 | 211,517 | 4,604,747 |
| NET CHANGE IN FUND BALANCE | 75,530 | 13,345 | 74,405 | (1,045) | 162,235 |
| FUND BALANCE - BEGINNING OF YEAR | 699,521 | 120,834 | 165,455 | 27,747 | 1,013,557 |
| FUND BALANCE - END OF YEAR | $ 775,051 | $ 134,179 | $ 239,860 | $ 26,702 | $ 1,175,792 |

See notes to financial statements.

**CARSONVILLE-PORT SANILAC SCHOOLS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

| | |
|---|---|
| **Total net change in fund balances - governmental funds** | $162,235 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation: | |
| Depreciation expense | (279,405) |
| Capital outlay | 38,992 |
| 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 at the beginning of the year | 18,010 |
| Accrued interest payable at the end of the year | (15,709) |
| 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 are as follows: | |
| Principal payments | 448,113 |
| Amortization of deferred amount on refunding | (1,651) |
| Amortization of bond premium | 36,491 |
| Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available: | |
| Unavailable revenue, beginning of year | (2,095) |
| Unavailable revenue, end of year | - |
| 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 absences/retirement incentives at the beginning of the year | 46,234 |
| Accrued absences/retirement incentives at the end of the year | (46,444) |
| 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 benefit related items | 47,558 |
| Pension related items | (66,415) |
| Restricted revenue reported in governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period. | |
| State aid funding for pension | (4,845) |
| **Change in net position of governmental activities** | $381,069 |

See notes to financial statements.

**CARSONVILLE-PORT SANILAC SCHOOLS**
STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
JUNE 30, 2019

| | AGENCY FUND |
|---|---|
| ***ASSETS*** | |
| Cash and cash equivalents | $ 96,665 |
| TOTAL ASSETS | $ 96,665 |
| ***LIABILITIES*** | |
| Due to general fund | $ 3,754 |
| Due to student and other groups | 92,911 |
| TOTAL LIABILITIES | $ 96,665 |

See notes to financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### 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 statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

### REPORTING ENTITY:

The Carsonville-Port Sanilac Schools (the "District") is governed by the Carsonville-Port Sanilac 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 government sources and must comply with all 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.

### 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 government-wide financial statements.

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

### 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 funds:

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

The *2015 refunding debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects sinking fund* accounts for receipts of the sinking fund millage proceeds and the acquisition of capital assets or construction of capital projects. The District has complied with applicable provision of §1212 (1) of the Revised School Code.

### OTHER NON-MAJOR FUND:

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.

**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 the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**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.

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 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 lease 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 statewide 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 the pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exception (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 30th 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 expended 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 measureable 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.

**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 fund. Capital project funds are 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.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 P.A. 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 the year ended June 30th. The District does not consider these amendments to be significant.

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:**

1. Cash and 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 three 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.

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 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 two 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.

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Land improvements | 10 - 20 years |
| Buildings and additions | 20 - 50 years |
| Machinery and equipment | 5 – 15 years |

5. Defined benefit plans

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. 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, 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.

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 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 be reported 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.

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 the 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 balances 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.

**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 for 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.

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 September 14 and 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-Principle Residence Exemption (PRE) | 18.0000 |
| Commercial Personal Property | 6.0000 |
| Debt Service Fund: | |
| PRE, Non-PRE, Commercial Personal Property | 3.8000 |
| Sinking Fund: | |
| PRE, Non-PRE, Commercial Personal Property | 0.7482 |

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. 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 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.

## NOTE 2 – DEPOSITS AND INVESTMENTS:

**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.

**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, $919,888 of the District's bank balance of $1,169,888 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $1,121,876.

**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.

**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 have any investments subject to the fair value measurement.

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

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

| | |
|---|---|
| Deposits - including fiduciary funds of $96,665 | $ 1,121,876 |
| | $ 1,121,876 |

The above amounts are reported in the financial statements listed below.

| | |
|---|---|
| Cash: | |
| District-wide | $ 1,025,211 |
| Agency Fund (a fiduciary fund) | 96,665 |
| | $ 1,121,876 |

## NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:

Intergovernmental receivables at June 30, 2019 from other governmental units consist of the following:

| | |
|---|---|
| Governmental Units: | |
| State aid | $479,525 |
| Federal revenue | 132,606 |
| Total | $612,131 |

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

## NOTE 4 – CAPITAL ASSETS:

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

| Governmental Activities: | Balance July 1, 2018 | Additions & Adjustments | Deletions & Adjustments | Balance June 30, 2019 |
|---|---|---|---|---|
| Capital assets not being depreciated - land | $ 150,000 | $ - | $ - | $ 150,000 |
| Capital assets being depreciated: | | | | |
| Land improvements | 2,448,493 | | | 2,448,493 |
| Building and additions | 9,413,456 | 32,950 | | 9,446,406 |
| Machinery and equipment | 1,527,608 | 6,042 | | 1,533,650 |
| Total capital assets, being deprecated | 13,389,557 | 38,992 | - | 13,428,549 |
| Accumulated depreciation: | | | | |
| Land improvements | (2,359,756) | (83,999) | | (2,443,755) |
| Building and additions | (5,458,729) | (176,013) | | (5,634,742) |
| Machinery and equipment | (1,443,392) | (19,393) | | (1,462,785) |
| Total accumulated deprecation | (9,261,877) | (279,405) | - | (9,541,282) |
| Net capital assets being depreciated | 4,127,680 | (240,413) | - | 3,887,267 |
| Net governmental capital assets | $ 4,277,680 | $ (240,413) | $ - | $ 4,037,267 |

Depreciation for the fiscal year ended June 30, 2019 amounted to $279,405. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

## NOTE 5 – NOTE PAYABLE:

During the year ended June 30, 2019, the District had a tax anticipation note payable. The balance was paid off at year end. The note had an interest rate of 2.90% and matured June 2, 2019. The note was secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2019 is as follows:

| Balance June 30, 2018 | Additions | Payments | Balance June 30, 2019 |
|---|---|---|---|
| $ - | $100,000 | $100,000 | $ - |

See Note 11 for additional information regarding the tax anticipation note for the fiscal year ended June 30, 2020.

## NOTE 6 - LONG-TERM OBLIGATIONS:

The District issues general obligation bonds to provide funds for the acquisition, construction and improvements of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

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

| | General Obligation Bonds and Premium | Notes from Direct Borrowings and Direct Placements | Compensated Absences/ Retirement Incentives | Total |
|---|---|---|---|---|
| Balance - July 1, 2018 | $ 3,215,436 | $ 98,720 | $ 46,234 | $ 3,360,390 |
| Additions: | - | - | 210 | 210 |
| Deletions | (481,491) | (3,113) | | (484,604) |
| Balance - June 30, 2019 | 2,733,945 | 95,607 | 46,444 | 2,875,996 |
| Due within one year | (465,000) | (3,268) | (14,250) | (482,518) |
| Due in more than one year | $ 2,268,945 | $ 92,339 | $ 32,194 | $ 2,393,478 |

Long-term obligations currently outstanding are as follows:

**General obligaiton bonds**

| | |
|---|---|
| 2015 refunding as a result of refunding 2015-2026 refunding bonds issued in 2005. The bond are due in annual installments ranging from $395,000 to $545,000 with interest ranging from 3.00% to 4.00% | $ 2,515,000 |
| Plus: Premium on bond refunding | 218,945 |
| Total general obligation bonds | 2,733,945 |
| **Notes from direct borrowings and direct placements** | |
| Sewer assessment with annual payments of $8,000 including interest at 4.95% through 2038 | 95,607 |
| Total notes from direct borrowings | 95,607 |
| Total general obligation bonds and notes from direct borrowings | 2,829,552 |
| Accumulated compensated absences | 46,444 |
| Total general long-term obligations | $ 2,875,996 |

The district's outstanding notes form direct borrowings and direct placements related to governmental activities of $95,607 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.

At June 30, 2019, $134,179 is available in the debt service fund to service the general obligation debt.

The annual requirements to amortize long-term debt outstanding as of June 30, 2019 are as follows:

| | GENERAL OBLIGATION BONDS | | NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS | | | |
|---|---|---|---|---|---|---|
| YEAR ENDED JUNE 30, | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST | COMPENSATED ABSENCES | TOTAL |
| 2020 | $ 465,000 | $ 100,600 | $ 3,268 | $ 4,732 | $ - | $ 573,600 |
| 2021 | 480,000 | 82,000 | 3,429 | 4,571 | | 570,000 |
| 2022 | 500,000 | 62,800 | 3,599 | 4,401 | | 570,800 |
| 2023 | 525,000 | 42,800 | 3,777 | 4,223 | | 575,800 |
| 2024 | 545,000 | 21,800 | 3,964 | 4,036 | | 574,800 |
| 2025-2029 | | | 22,966 | 17,034 | | 40,000 |
| 2030-2034 | | | 29,241 | 10,759 | | 40,000 |
| 2035-2040 | | | 25,363 | 2,952 | | 28,315 |
| Total | 2,515,000 | 310,000 | 95,607 | 52,708 | - | 2,973,315 |
| Premium on refunding | 218,945 | | | | | 218,945 |
| Compensated absences | | | | | 46,444 | 46,444 |
| TOTAL | $ 2,733,945 | $ 310,000 | $ 95,607 | $ 52,708 | $ 46,444 | $ 3,238,704 |

The District has 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 the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, $6,175,000 of bonds outstanding is considered defeased.

## NOTE 7 - OPERATING LEASES:

The District has an operating lease for various buses that includes a maintenance agreement. Future minimum payments are as follows:

June 30, 2020 $26,690

Lease and maintenance expense on the transportation equipment for the current year was $52,370.

## NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund payable and receivable balances at June 30, 2019 are as follows:

| Receivable Fund | | Payable Fund | |
|---|---|---|---|
| Debt Retirement | $ 1,908 | General Fund | $ 27,863 |
| Special Revenue Fund | 25,955 | | |
| | $ 27,863 | | $ 27,863 |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

## NOTE 9 – RETIREMENT AND OTHER POST RETIREMENT 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/orsschools.

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

### 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:

| Plan name | Plan Type | Plan status |
|---|---|---|
| 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.

**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 their after 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.

**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.

**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 stopped 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.

**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 60th 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 Post-Employment 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% |

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately $488,000 with $478,000 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 $132,000, with $122,000 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 $5,587,014 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2017. 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 .01859 percent and .01844 percent.

| **MEPSERS (Plan) Non-university employers:** | **September 30, 2018** | **September 30, 2017** |
|---|---|---|
| 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 | 0.01859% | 0.01844% |
| Net Pension Liability for the District | $ 5,587,014 | $ 4,779,751 |

**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 $579,533.

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 of assumptions | $ 1,293,948 | |
| Net difference between projected and actual earnings on pension plan investments | | $ (382,010) |
| Difference between expected and actual experience | 25,925 | (40,600) |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 74,104 | (178,744) |
| Reporting Unit's contributions subsequent to the measurement date | 446,172 | |
| | $ 1,840,149 | $ (601,354) |

$446,172, 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 | $ 262,983 |
| 2020 | 246,594 |
| 2021 | 203,799 |
| 2022 | 79,247 |

**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 $1,472,112 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 0.01852 percent and 0.01842 percent.

| *MPSERS (Plan) Non-university employers* | September 30, 2018 | September 30, 2017 |
|---|---|---|
| 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 | 0.01852% | 0.01842% |
| Net Other Postemployment Benefit Liability for the District | $ 1,472,112 | $ 1,630,743 |

**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 $74,257.

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 |
|---|---|---|
| Net difference between projected and actual earnings on OPEB plan investments | | $ (56,577) |
| Changes in assumptions | $ 155,897 | |
| Differences between expected and actual experience | | (273,998) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 10,532 | (362) |
| Reporting Unit's contributions subsequent to the measurement date | 108,039 | |
| | $ 274,468 | $ (330,937) |

$108,039, 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 | $ (40,741) |
| 2020 | (40,741) |
| 2021 | (40,741) |
| 2022 | (29,596) |
| 2023 | (12,689) |

**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 morality 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 annual pension valuations 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% to year twelve.

**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 major asset class are summarized in the following table:

| Investment Category | Target Allocation | Long-term Expected Real Rate of Return* |
|---|---|---|
| Domestic Equity Pools | 28.00% | 5.70% |
| Private Equity Pools | 18.00% | 9.20% |
| International Equity | 16.00% | 7.20% |
| Fixed Income Pools | 10.50% | 0.50% |
| Real Estate and Infrastructure Pools | 10.00% | 3.90% |
| Absolute Return Pools | 15.50% | 5.20% |
| Short Term Investment Pools | 2.00% | 0.00% |
| **Total** | 100.00% | |

***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 (7.0% for Pension Plus Plan and 6.0% 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% (7.0% for the Pension Plus Plan and 6.0% 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.

**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% (7.0% for Pension Plus Plan and 6.0% 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 | $ 7,335,317 | $ 5,587,014 | $ 4,134,457 |

**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 Benefit | | |
|---|---|---|---|
| | 1% Decrease | Discount Rate | 1% Increase |
| Reporting Unit's proportionate share of the net other postemployment benefit liability | $ 1,767,240 | $ 1,472,112 | $ 1,223,873 |

**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 Benefit | | |
|---|---|---|---|
| | 1% Decrease | Healthcare cost trend rates | 1% Increase |
| Reporting Unit's proportionate share of the net other postemployment benefit liability | $ 1,210,796 | $ 1,472,112 | $ 1,771,895 |

**Pension and OPEB Plan Fiduciary Net Position**

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2018 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 10 - 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. With regard to injuries to employees, the District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools 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 year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2019 or any of the prior three years.

## NOTE 11 – SUBSEQUENT EVENT:

The District has approved borrowing $175,000, at a rate of 2.90%, for fiscal year 2020 to replace the note payable described in Note 5.

## NOTE 12 - TAX ABATEMENTS:

The District is required to disclose significant tax abatements as a required by GASB statement 77, *Tax Abatements.*

The District receives reduced property tax revenues as a result of Industrial Facilities Tax Exemptions granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The District did not have any property taxes abated under this program.

There are no significant abatements made by the District.

## NOTE 13 – COMMITMENTS AND CONTINGENCIES:

Commitments:
The District has no active commitments as of June 30, 2019.

Contingencies:
Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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 believes such amounts, if any, would be immaterial.

## NOTE 14 – UPCOMING ACCOUNTING PRONOUNCEMENT:

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

**CARSONVILLE-PORT SANILAC SCHOOLS**
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
|---|---|---|---|---|
| REVENUES: | | | | |
| Local sources | | | | |
| Property taxes | $ 954,320 | $ 947,774 | $ 953,685 | $ 5,911 |
| Tuition | 62,584 | 62,154 | 62,542 | 388 |
| Investment earnings | 221 | 220 | 221 | 1 |
| Other | 30,300 | 30,092 | 30,278 | 186 |
| Total local sources | 1,047,425 | 1,040,240 | 1,046,726 | 6,486 |
| State sources | 2,477,384 | 2,598,906 | 2,598,506 | (400) |
| Federal sources | 186,227 | 227,440 | 220,633 | (6,807) |
| TOTAL REVENUES | 3,711,036 | 3,866,586 | 3,865,865 | (721) |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Basic programs | 1,798,899 | 1,716,008 | 1,741,940 | (25,932) |
| Added needs | 586,064 | 596,601 | 512,462 | 84,139 |
| Total Instruction | 2,384,963 | 2,312,609 | 2,254,402 | 58,207 |
| Supporting Services: | | | | |
| Pupil services | 119,873 | 112,572 | 118,409 | (5,837) |
| Instructional staff | 25,339 | 19,578 | 30,024 | (10,446) |
| General administration | 70,686 | 75,370 | 76,543 | (1,173) |
| School administration | 368,741 | 350,961 | 359,746 | (8,785) |
| Business services | 94,814 | 93,809 | 95,901 | (2,092) |
| Operations and maintenance | 419,964 | 450,241 | 447,559 | 2,682 |
| Pupil transportation | 183,780 | 189,494 | 180,367 | 9,127 |
| Central services | 63,074 | 129,125 | 60,288 | 68,837 |
| Athletic activities | 108,036 | 115,406 | 115,203 | 203 |
| Total Supporting Services | 1,454,307 | 1,536,556 | 1,484,040 | 52,516 |
| Community services | 69,027 | 53,718 | 51,893 | 1,825 |
| TOTAL EXPENDITURES | 3,908,297 | 3,902,883 | 3,790,335 | 112,548 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers to other funds | (1,550) | (1,000) | - | 1,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,550) | (1,000) | - | 1,000 |
| NET CHANGE IN FUND BALANCE | $ (198,811) | $ (37,297) | 75,530 | $ 112,827 |
| FUND BALANCE - BEGINNING OF YEAR | | | 699,521 | |
| FUND BALANCE - END OF YEAR | | | $ 775,051 | |

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

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Reporting unit's proportion of net pension liability (%) | 0.01859% | 0.01844% | 0.01812% | 0.01955% | 0.02088% |
| Reporting unit's proportionate share of net pension liability | $5,587,014 | $4,779,751 | $4,521,700 | $4,774,636 | $4,596,530 |
| Reporting unit's covered-employee payroll | $1,570,902 | $1,596,436 | $1,477,486 | $1,687,385 | $1,888,888 |
| Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll | 355.66% | 299.40% | 306.04% | 282.96% | 243.35% |
| Plan fiduciary net position as a percentage of total net 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, the District presents information for those years for which information is available.

**CARSONVILLE-PORT SANILAC COMMUNITY SCHOOLS**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
THE YEAR ENDED JUNE 30)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Statutorily required contributions | $ 477,905 | $ 475,329 | $ 432,302 | $ 417,266 | $ 362,656 |
| Contributions in relation to statutorily required contributions | 477,905 | 475,329 | 432,302 | 417,266 | 362,656 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Reporting unit's covered-employee payroll | $1,567,546 | $1,573,427 | $1,578,139 | $1,461,130 | $1,736,340 |
| Contributions as a percentage of covered-employee payroll | 30.49% | 30.21% | 27.39% | 28.56% | 20.89% |

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

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

| | 2018 | 2017 |
|---|---|---|
| Reporting unit's proportion of net OPEB liability (%) | 0.01852% | 0.01842% |
| Reporting unit's proportionate share of net OPEB liability | $ 1,472,112 | $ 1,630,743 |
| Reporting unit's covered-employee payroll | $ 1,570,902 | $ 1,596,436 |
| Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll | 93.71% | 102.15% |
| Plan fiduciary net position as a percentage of total net 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, the District presents information for those years for which information is available.

**CARSONVILLE-PORT SANILAC COMMUNITY SCHOOLS**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
THE YEAR ENDED JUNE 30)

| | 2019 | 2018 |
|---|---|---|
| Statutorily required contributions | $ 121,738 | $ 106,292 |
| Contributions in relation to statutorily required contributions | 121,738 | 106,292 |
| Contribution deficiency (excess) | $ - | $ - |
| Reporting unit's covered-employee payroll | $ 1,567,546 | $ 1,573,427 |
| Contributions as a percentage of covered-employee payroll | 7.77% | 6.76% |

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

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 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

**CARSONVILLE-PORT SANILAC SCHOOLS**
SCHEDULE OF BONDED DEBT
REFUNDING BONDS, SERIES 2015
JUNE 30, 2019

| PRINCIPAL DUE MAY 1 | INTEREST DUE MAY 1 | INTEREST DUE NOVEMBER 1 | DEBT SERVICE REQUIREMENT FOR FISCAL YEAR JUNE 30 | DEBT SERVICE REQUIREMENT FOR FISCAL YEAR AMOUNT |
|---|---|---|---|---|
| $ 465,000 | $ 50,300 | $ 50,300 | 2020 | $ 565,600 |
| 480,000 | 41,000 | 41,000 | 2021 | 562,000 |
| 500,000 | 31,400 | 31,400 | 2022 | 562,800 |
| 525,000 | 21,400 | 21,400 | 2023 | 567,800 |
| 545,000 | 10,900 | 10,900 | 2024 | 566,800 |
| $ 2,515,000 | $ 155,000 | $ 155,000 | | $ 2,825,000 |

On March 27, 2015 Carsonville-Port Sanilac School District refunded the 2005 refunding bonds for the purpose of better interest rates and reduced debt service payments.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Jamie L. Peasley, CPA
……
Jerry J. Bernhardt, CPA
Timothy D. Franzel
David A. Ondrajka, CPA
Laura J. Steffen, CPA
Brent A. Shaw, CPA
Angela M. Burnette, CPA
Chelsie M. Peruski, CPA
Kendra K. Bednarski, CPA

**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**

Board of Education
Carsonville-Port Sanilac 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 Carsonville-Port Sanilac Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 11, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Carsonville-Port Sanilac 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 over financial reporting 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. We identified certain deficiencies in internal control over financial reporting, identified as item 2019-001 described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Carsonville-Port Sanilac 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*.

715 East Frank Street • Caro, MI 48723
989-673-3137 fax: 989-673-3375
1-800-234-8829
2956 Main Street • Marlette, MI 48453
989-635-7545 fax: 989-635-7547
6476 Main Street, Suite 1 • Cass City, MI 48726
989-872-3730 fax: 989-872-3978
www.atbdcpa.com email us at cpa@atbdcpa.com

**Carsonville-Port Sanilac Schools' Responses to Findings**

Carsonville-Port Sanilac Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Carsonville-Port Sanilac Schools' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 11, 2019

**CARSONVILLE-PORT SANILAC SCHOOLS**
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

Finding considered a significant deficiency:

**Finding 2019-001**

Criteria:
Statement on Auditing Standards #115 titled Communicating Internal Control Related matters Identified in an Audit (issued October 2008), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

Condition:
Due to the limited number of staff, many critical duties are combined and given to the available staff.

Context:
Internal controls are weakened due to the lack of segregation of duties.

Effect:
As a result of this condition, the district is exposed to an increased risk that misstatement (whether caused by error or fraud) may occur and not be prevented, or detected and corrected by management on a timely basis. Other staff members must be utilized in order to achieve good internal controls.

Cause:
The district doesn't have enough staff in the business office to have a proper segregation of duties.

Recommendation:
At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The current processes meet the definition of a significant deficiency as defined in Statement on Auditing Standards #115.

Client Response:
We are aware of this deficiency and believe it is not cost beneficial in our situation to hire additional staff. We will continue to segregate duties as much as possible. We would expect this situation to be ongoing in future years.

# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Jamie L. Peasley, CPA
…….
Jerry J. Bernhardt, CPA
Timothy D. Franzel

David A. Ondrajka, CPA
Laura J. Steffen, CPA
Brent A. Shaw, CPA
Angela M. Burnette, CPA
Chelsie M. Peruski, CPA
Kendra K. Bednarski, CPA


Members of the Board
Carsonville-Port Sanilac Schools

In planning and performing our audit of the financial statements of the ***Carsonville-Port Sanilac Schools*** as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 11, 2019 on the financial statements of ***Carsonville-Port Sanilac Schools***. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform an additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

**Bank Related Issues (Repeat Comment)**

We noted during our audit that some of the bank reconciliations had old outstanding checks and/or outdated activity on them. We recommend that long-outstanding checks and other uncleared reconciling items be appropriately reversed and the unclaimed amounts handled in accordance with state escheat laws. Bank reconciliations are a key internal control and should be performed within thirty days of month end and tied to the general ledger balance. Bank reconciliations should be reviewed and approved by appropriate personnel on a monthly basis.

**Website Transparency Reporting (Repeat Comment)**

Local districts, intermediate districts, and public academies are now mandated through revised language in Section 18(2) of the State School Aid Act to provide an increase in transparency. The revised language requires educational institutions to publish more financial information on their website.

There are several required disclosures. The revised guidelines can be found on the Michigan Department of Education's website, which will give details for all required disclosures and timeline requirements. We recommend the District review its website, as well as Section 18(2) of the State School Aid Act, because at this time several required items on the website are currently outdated.

This communication is intended solely for the information and use of management and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the ***Carsonville-Port Sanilac Schools*** and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants
Caro, Michigan

October 11, 2019


715 East Frank Street • Caro, MI 48723
989-673-3137 fax: 989-673-3375
1-800-234-8829

2956 Main Street • Marlette, MI 48453
989-635-7545 fax: 989-635-7547

6476 Main Street, Suite 1 • Cass City, MI 48726
989-872-3730 fax: 989-872-3978

www.atbdcpa.com email us at cpa@atbdcpa.com

# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Jamie L. Peasley, CPA
…….
Jerry J. Bernhardt, CPA
Timothy D. Franzel

David A. Ondrajka, CPA
Laura J. Steffen, CPA
Brent A. Shaw, CPA
Angela M. Burnette, CPA
Chelsie M. Peruski, CPA
Kendra K. Bednarski, CPA


To the Members of the Board
***Carsonville-Port Sanilac Schools***

We have audited the financial statements of ***Carsonville-Port Sanilac Schools*** for the year ended ***June 30, 2019,*** and have issued our report thereon dated October 11, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions 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.

As part of our audit, we considered the internal control of ***Carsonville-Port Sanilac Schools***. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether ***Carsonville-Port Sanilac Schools'*** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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

*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 polices and their application. The significant accounting policies used by ***Carsonville-Port Sanilac Schools*** are described in Note 1 to the financial statements. The District did not implement any new accounting standards and the application of existing polices was not changed during 2019. We noted no transactions entered into by ***Carsonville-Port Sanilac Schools*** 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:

> Management's estimates of the net pension liability and the net other postemployment benefit liability is based on actuarial data. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and the other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.


715 East Frank Street • Caro, MI 48723
989-673-3137 fax: 989-673-3375
1-800-234-8829

2956 Main Street • Marlette, MI 48453
989-635-7545 fax: 989-635-7547

6476 Main Street, Suite 1 • Cass City, MI 48726
989-872-3730 fax: 989-872-3978

www.atbdcpa.com email us at cpa@atbdcpa.com

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimated lives of 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.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed adjustments that we consider to be significant and have communicated this to management.

*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.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 11, 2019.

*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.

*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 ***Carsonville-Port Sanilac Schools'*** auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*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 the 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 additional supplementary Information, which accompany the financial statements but are not RSI. With respect to the additional supplementary information, we made certain inquires of management and evaluated the form, content, and methods of preparing this information to determine that the information complies with accounting principles general accepted in the United States of America, the method of preparing it had not changed from the prior period, and the information is appropriate and compete in relation to our audit of the financial statements. We compared and reconciled the additional supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

*Restriction* on Use

This information is intended solely for the use of the Members of the Board and management of ***Carsonville-Port Sanilac Schools*** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

October 11, 2019