

**CARSON CITY-CRYSTAL AREA SCHOOLS
CARSON CITY, MICHIGAN**

**REPORT OF AUDIT
AS OF
JUNE 30, 2013**

**FOOTE AND LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN**

**CARSON CITY-CRYSTAL AREA SCHOOLS
CARSON CITY, MICHIGAN**

AS OF JUNE 30, 2013

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CARSON CITY-CRYSTAL AREA SCHOOLS

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Carson City-Crystal Areas Schools
Carson City, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carson City-Crystal Area Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carson City-Crystal Area Schools, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carson City-Crystal Area Schools' basic financial statements. The individual nonmajor fund financial statements, detailed budget and actual statements, combining statements and other supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. All of the information named in this paragraph is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Foote and Lloyd
CERTIFIED PUBLIC ACCOUNTANTS

November 1, 2013

**CARSON CITY-CRYSTAL AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013**

Carson City-Crystal Area School District is a K-12 district located in Carson City, Michigan. There is one elementary school, Carson Lower Elementary for grades K-3. The High School (grades 9-12), Middle School (grades 6-8) and Upper Elementary (grades 4-5) share a building. This section of the Carson City-Crystal Area Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013.

Financial Highlights

The general condition of all funds and governmental activities remain fiscally sound. The district has been able to set aside funds for capital projects. A 2-year bond issue was passed in May of 2010. The proceeds have been used for technology equipment, security doors, west wall re-enforcement at the high school building, partial roof replacements at the high school and elementary, hot water heat conversion, and automated energy management systems. Subsequently, a 2-year bond was passed in May of 2012. These funds were used for roof replacement at Carson City Elementary and continued work on the hot water heat conversion at the Middle/High School. The debt payment for this Bond will be completed in May of 2014. In May of 2012 the 18 mill non-homestead operating millage was renewed for a period of five years.

- The assets of the district exceeded its liabilities at the close of the fiscal year by \$2,117,817.
- The general fund balance ended at \$160,500 which was a decrease of \$336,327.
- Total general fund revenues, incoming transfers, and other transactions were \$277,972 lower in 2012/13 than the prior year.
- The blended student count was 959.68 compared with 1,004.69 in the 2011-2012 school year.
- General fund state revenue sources decreased \$115,292 from 2011-2012 and federal sources decreased by \$199,538.
- General Fund Expenditures were \$8,352,455 compared to \$8,354,479 in 2011-12 (a decrease of \$2,024).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Carson City-Crystal Area Schools. The basic financial statements are comprised of three components as follows:

- management's discussion and analysis (this section)
- basic financial statements, and
- required supplementary information.

**CARSON CITY-CRYSTAL AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
Page 2**

The basic financial statements include two kinds of statements that illustrate different views of the district. The first two statements are district-wide financial statements that provide both short-term and long-term information about the district's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the district, reporting the district's operation in more detail than the district-wide statements. The governmental funds statements show how basic services like regular and special education was currently financed as well as what remains for future spending. Fiduciary funds statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. This report also contains required and other supplementary information in addition to the basic financial statements.

District-Wide Statements

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the district's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the district's *net position* and how it has changed. Net position – the difference between the district's assets and liabilities – is one way to measure the district's financial health or *position*.

- Over time, increases or decreases in the district's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the district, you need to consider additional non-financial factors such as changes in the district's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds - not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

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

**CARSON CITY-CRYSTAL AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
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The district has two kinds of funds:

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

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

**CARSON CITY-CRYSTAL AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
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Financial Analysis of the District

The net position at the beginning of the 2012-13 school year was \$1,788,162 and net position at the end of the year was \$2,117,817; therefore, the change in net position was \$329,655. Detailed revenue and expense information follows:

Revenues

	2012	2013
Program Revenues		
Charges for Services	237,267	213,820
Operating Grants	1,689,751	2,468,886
General Revenues		
Property Taxes	2,140,134	2,176,018
State Aid – Unrestricted	5,749,137	4,663,520
Other	<u>44,299</u>	<u>53,799</u>
Total Revenues	<u>9,860,588</u>	<u>9,576,043</u>

	2012	2013
Function/Program Expenses		
Instruction and Instructional Support	5,058,448	5,181,652
Support Services	3,252,242	3,173,010
Food Services	458,840	427,196
Interest on Long-Term Debt	170,596	176,199
Depreciation (Unallocated)	<u>269,140</u>	<u>288,331</u>
Total Expenses	<u>9,209,266</u>	<u>9,246,388</u>

Increase (Decrease) in Net Position	651,322	329,655
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District Governmental Activities

The district continues to maximize resources for the education of the students and maintain the long-term financial health of the district. The governmental activities mirror that goal. The support services seek to be efficient at providing the necessary safe, orderly, and positive learning environment so that more dollars are available for the direct instruction of students. The school breakfast and lunch program seek continuous self-support and cost effectiveness.

- The state maintained the per pupil foundation allowance at \$6,966 throughout the year.
- Food Service operated at a loss of \$2,074, with a fund balance of \$6,982 (1.6% of expenditures).

**CARSON CITY-CRYSTAL AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
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Financial Analysis of the District's Funds

The general fund balance decreased \$336,327: the non-major governmental funds decreased \$2,074 and Debt Service decreased \$2,745,267. Capital Projects increased \$213,275 (total decrease of \$2,870,393).

General Fund Budgetary Highlights

The district is required to adopt an operating budget prior to the start of the fiscal year. Assumptions need to be made because certain information is not available, such as state aid, actual student count, and the cost of employee contracts. As the information becomes available, the district updates the budget during the year.

The revised general fund projected revenues were lower than originally budgeted. The original budget anticipated 984 students; however, the actual number of students (blended count) was 959. Revenues were \$30,441 greater than the final budget adoption.

The district's final budget projected a general fund balance of \$50,000; however, the actual fund balance is \$160,500; total variance of \$110,500.

The district's general fund balance is 1.9% of expenditures.

Capital Asset and Debt Administration

	<u>2012</u>	<u>2013</u>
Capital Assets		
Land	158,090	158,090
Land Improvements	768,949	768,949
Buildings and Improvements	7,472,061	8,229,196
Buses and Other Vehicles	1,073,117	1,014,290
Furniture and Equipment	2,901,371	2,901,371
Construction in Progress	<u>28,000</u>	<u>34,516</u>
Sub-total	12,401,588	13,106,412
Accumulated Depreciation	<u>7,971,269</u>	<u>8,202,750</u>
Net Capital Assets	<u>4,430,319</u>	<u>4,903,662</u>

**CARSON CITY-CRYSTAL AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
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Net Investment in Capital Assets

The district's net investment in capital assets increased by \$473,343 during the fiscal year. This can be summarized as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital Assets	12,401,588	784,091	(79,267)	13,106,412
Less: Accumulated Depreciation	<u>7,971,269</u>	<u>288,331</u>	<u>(56,850)</u>	<u>8,202,750</u>
Net Investment in Capital Assets	<u>4,430,319</u>	<u>495,760</u>	<u>(22,417)</u>	<u>4,903,662</u>

Long-Term Debt

The following is a summary of the long term bond transactions of the District for the year ended June 30, 2013:

	2012 Refunding Bonds	2012 School Imp. Bond	2008 QZAB Bond	2003 Refunding Bonds	Total
Long Term Bonds at July 1, 2012	2,810,000	-	155,000	3,165,000	6,130,000
New Bonds Issued	-	995,000	-	-	995,000
Payments on Bonds	<u>(55,000)</u>	<u>(485,000)</u>	<u>-</u>	<u>(3,165,000)</u>	<u>(3,705,000)</u>
Long Term Bonds at June 30, 2013	<u>2,755,000</u>	<u>510,000</u>	<u>155,000</u>	<u>-</u>	<u>3,420,000</u>

At June 30, 2013, the district had \$3,420,000 in long-term bonds. The total requirement to pay the principal and interest on the long-term bonds outstanding at year-end is \$3,588,375.

Economic Factors and the District's Future

The Michigan Legislature has enacted the State School Aid Act for fiscal year 2014. The foundation allowance for 2013-14 was increased by \$60 per pupil to \$7,026. The Support Staff contract expires June 30, 2014, and Certified Staff contract has been renewed through June 30, 2014. Enrollment for 2013-14 is projected to decrease by approximately 15 students.

Contacting the District's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional information, contact the **Business Office, Carson City-Crystal Area Schools, 115 E. Main, Carson City, MI 48811.**

BASIC FINANCIAL STATEMENTS

**CARSON CITY- CRYSTAL AREA SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities
Assets	
Current Assets	
Cash	973,156
Accounts Receivable	25,252
Due from Other Governmental Units	1,314,156
Prepays	46,594
Inventories	4,043
Total Current Assets	2,363,201
Noncurrent Assets	
Cash in Capital Projects Fund	246,891
Capital Assets	13,071,896
Less: Accumulated Depreciation	(8,202,750)
Construction in Progress	34,516
Unamortized Bond Issuance Costs	55,271
Total Noncurrent Assets	5,205,824
Total Assets	7,569,025
Liabilities	
Current Liabilities	
Accounts Payable	47,268
Accrued Salaries & Fringes	1,026,163
Due to Other Governmental Units	86,527
Accrued Interest	17,025
Deferred Revenue	64,225
State Aid Note Payable	790,000
Current Portion of Long-Term Debt	1,020,000
Total Current Liabilities	3,051,208
Noncurrent Liabilities	
Bonds Payable	3,420,000
Less: Current Portion	(1,020,000)
Total Noncurrent Liabilities	2,400,000
Total Liabilities	5,451,208
Net Position	
Invested in Capital Assets Net of Related Debt	1,493,672
Restricted for Debt Service	209,772
Restricted for Capital Projects	246,891
Restricted for Food Service	2,939
Unrestricted	164,543
Total Net Position	2,117,817
Total Liabilities and Net Position	7,569,025

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
STATEMENT OF ACTIVITIES
JUNE 30, 2013**

		Program Revenues		Governmental Activities
Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities:				
Instruction and Instructional Support	(5,181,652)	-	2,171,399	(3,010,253)
Support Services	(3,173,010)	76,867	-	(3,096,143)
Food Services	(427,196)	136,953	289,187	(1,056)
Interest on Long-term Debt	(176,199)	-	8,300	(167,899)
Depreciation (Unallocated)	(288,331)	-	-	(288,331)
	<u>(9,246,388)</u>	<u>213,820</u>	<u>2,468,886</u>	<u>(6,563,682)</u>
Total Governmental Activities				
General Revenues:				
Taxes				
Property Taxes, Levied for General Operations				1,051,744
Property Taxes, Levied for Debt Service				1,124,274
State of Michigan Aid, Unrestricted				4,663,520
Interest and Investment Earnings				6,344
Other				47,455
Total General Revenues				<u>6,893,337</u>
Change in Net Position				329,655
Net Position:				
Beginning of Year				<u>1,788,162</u>
End of Year				<u>2,117,817</u>

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013**

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental
Assets					
Cash	771,975	200,098	246,891	1,083	1,220,047
Accounts Receivable	14,011	9,466	-	1,775	25,252
Due from Other Governmental Units	1,307,123	-	-	7,033	1,314,156
Due from Other Funds	5,785	408	-	-	6,193
Prepaid Expenses	46,594	-	-	-	46,594
Inventories	-	-	-	4,043	4,043
Total Assets	<u>2,145,488</u>	<u>209,972</u>	<u>246,891</u>	<u>13,934</u>	<u>2,616,285</u>
 Liabilities and Fund Balances					
Liabilities					
Accounts Payable	46,907	-	-	361	47,268
Accrued Salaries	449,504	-	-	-	449,504
Accrued Taxes and Fringes	576,659	-	-	-	576,659
Due to Other Funds	408	200	-	5,585	6,193
Due to Other Governmental Unit	86,525	-	-	2	86,527
State Aid Note Payable	790,000	-	-	-	790,000
Deferred Revenue	34,985	-	-	1,004	35,989
Total Liabilities	<u>1,984,988</u>	<u>200</u>	<u>-</u>	<u>6,952</u>	<u>1,992,140</u>
 Fund Balances					
Non-Spendable	46,594	-	-	4,043	50,637
Restricted for Food Service	-	-	-	2,939	2,939
Restricted for Debt Service	-	209,772	-	-	209,772
Restricted for Capital Projects	-	-	246,891	-	246,891
Unassigned	113,906	-	-	-	113,906
Total Fund Balances	<u>160,500</u>	<u>209,772</u>	<u>246,891</u>	<u>6,982</u>	<u>624,145</u>
Total Liabilities and Fund Balances	<u>2,145,488</u>	<u>209,972</u>	<u>246,891</u>	<u>13,934</u>	<u>2,616,285</u>
Total Governmental Fund Balances					624,145

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and are not reported in the funds.

The Cost of Capital Assets Is	13,071,896	
Accumulated Depreciation Is	(8,202,750)	
Net Capital Assets		4,869,146
Construction in Progress		34,516
Unamortized Bond Issuance Costs		55,271
Long term liabilities are not due and payable in the current period and are not reported in the fund		
Bonds and Loans payable		(3,420,000)
Unamortized Bond premiums are not included as a deferred revenue in Governmental Funds		(28,236)
Accrued interest is not included as a liability in Governmental Funds		(17,025)
Net Position of Governmental Activities		<u>2,117,817</u>

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental Funds
Revenues					
Local Sources	1,176,609	1,128,409	61	140,535	2,445,614
State Sources	6,165,834	8,300	-	19,315	6,193,449
Federal Sources	423,200	-	-	269,872	693,072
Intermediate Sources	<u>245,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,885</u>
 Total Revenues	 8,011,528	 1,136,709	 61	 429,722	 9,578,020
Expenditures					
Current Operations					
Instruction	5,181,652	-	-	-	5,181,652
Supporting Services	3,034,189	-	-	-	3,034,189
Food Services	-	-	-	427,196	427,196
Other	-	3,041	526	-	3,567
Debt Service	-	3,890,006	-	-	3,890,006
Capital Outlay	<u>-</u>	<u>-</u>	<u>763,651</u>	<u>-</u>	<u>763,651</u>
 Total Expenditures	 <u>8,215,841</u>	 <u>3,893,047</u>	 <u>764,177</u>	 <u>427,196</u>	 <u>13,300,261</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (204,313)	 (2,756,338)	 (764,116)	 2,526	 (3,722,241)
Other Financing Sources (Uses)					
Bond Proceeds	-	-	995,000	-	995,000
Bond Issuance Costs	-	-	(17,609)	-	(17,609)
Transfers from (to) Other Funds	(6,471)	11,071	-	(4,600)	-
Transfers to Other Districts	<u>(125,543)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,543)</u>
 Total Other Financing Sources (Uses)	 <u>(132,014)</u>	 <u>11,071</u>	 <u>977,391</u>	 <u>(4,600)</u>	 <u>851,848</u>
 Net Change In Fund Balances	 (336,327)	 (2,745,267)	 213,275	 (2,074)	 (2,870,393)
 Fund Balance - July 1, 2012	 <u>496,827</u>	 <u>2,955,039</u>	 <u>33,616</u>	 <u>9,056</u>	 <u>3,494,538</u>
 Fund Balance - June 30, 2013	 <u>160,500</u>	 <u>209,772</u>	 <u>246,891</u>	 <u>6,982</u>	 <u>624,145</u>

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balances - Total Governmental Funds (2,870,393)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(288,331)
Capital Outlay	763,651
Construction in Progress	

Governmental funds report sales of fixed assets as revenue; in the statement of activities, this amount is reduced by the depreciated cost of the assets.

Depreciated Cost of Assets Sold	(1,977)
---------------------------------	---------

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

8,807

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

3,705,000

Bond Proceeds is a Revenue in the Governmental Funds, but not in the statement of activities (where it increases long-term debt)

(995,000)

Bond Issuance Costs

17,609

Amortization of Bond Issuance Costs

(17,122)

Amortization of Bond Premium

7,411

Change in Net Position of Governmental Activities 329,655

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2013**

	Agency Fund - Student Activities
Assets	
Cash	<u>70,010</u>
Total Assets	<u>70,010</u>
Liabilities	
Due to Student Organizations	<u>70,010</u>
Total Liabilities	<u>70,010</u>

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Carson City-Crystal Area Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operations financial relationships that determine which of the governmental organizations are part of the School District's reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the district's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

**CARSON CITY-CRYSTAL AREA SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is reported using the cash basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The 2003 Refunding Debt Retirement Fund is used to record tax, interest and other revenue for payment of principal, interest and other expenditures on the 2003 Refunding Debt Bond Issue.

The 2008 QZAB Debt Retirement Fund is used to record transfers from the General Fund and other revenue for payment of principal and other expenditures on the 2008 QZAB Bond Issue.

The 2010 Debt Retirement Fund is used to record tax, interest and other revenue for payment of principal, interest and other expenditures on the 2010 Bond Issue. The fund was closed during the fiscal year.

The 2012 Refunding Debt Retirement Fund is used to record tax, interest and other revenue for payment of principal, interest and other expenditures on the 2012 Refunding Debt Bond Issue.

The 2012 Debt Retirement Fund is used to record tax, interest and other revenue for payment of principal, interest and other expenditures on the 2012 Bond Issue.

The 2010 and 2012 Capital Projects Funds are used to account for resources for the acquisition or construction of fixed assets by the District.

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

The School Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The only School Service Fund maintained by the School District at this time is the Food Services Fund which is a Non-Major Governmental Fund.

**CARSON CITY-CRYSTAL AREA SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand and time deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due from/to other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year, if any, are referred to as “advances to/from other funds.”

Because of the nature of items included in non-tax accounts receivable, no allowance for uncollectable accounts is deemed necessary.

The district receives property tax revenue from one city and ten townships. The taxes are assessed based on values as the previous December 31. Taxes are levied on December 1, and are payable to the townships through February 14, which remit them to the school district on a monthly basis. Clinton, Gratiot, Ionia and Montcalm Counties, in which all of the townships are located, have revolving funds for delinquent real property taxes. Between the final collection date for the township and the end of the school district’s fiscal year, the counties pay the district the full amount of the delinquent real property taxes, after which the counties are responsible for their collection. Unpaid personal property taxes continue to be the responsibility of the townships, and are included in accounts receivable on the financial statements. Any amounts uncollected by the end of the fifth fiscal year following the levy are written off as an expense. Because the amounts written off are generally very immaterial, no allowance for uncollectable taxes is recorded.

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

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

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds, other than purchased inventory in the Food Services Fund, are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed prior to the adoption of GASB 34. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and Additions	20-50 Years
Buses and Other Vehicles	5-10 Years
Furniture and Other Equipment	5-20 Years

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, if material, as well as issuance costs for bonds issued after July 1, 2003, are deferred and amortized over the life of the bond. For premiums and discounts, the effective interest method is used, and the bonds payable are reported at face value and the applicable bond premium or discount is shown as a deferred asset or liability. Bond issuance costs are reported as deferred charges and amortized evenly over the term of the related debt. The District has not elected early implementation of GASB Statement 65.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the period when incurred. Premiums received on debt issuances are reported as other financing sources while discounts, if material, are reported as other financing uses. Issuance costs are reported as other financing uses.

Fund Equity - Fund balances for each of the District's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.

**CARSON CITY-CRYSTAL AREA SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the school district's board. The district did not have any committed resources as of June 30, 2013.
- *Assigned fund balance*—amounts the district intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. This intent can be expressed by the school board or through the board delegating this responsibility to the superintendent.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The district would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Comparative Data/Reclassifications - Comparative data is not included in the district's financial statements.

Economic Dependency - The School District received approximately 77% of its General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source, the School District is considered to be economically dependent on the Michigan Department of Education.

Concentrations - Approximately 90% of the School District's employees work under collective bargaining agreements. The agreement for support staff expired on 6/30/13, and was renewed for another year, and the agreement for teachers will expire on on 6/30/14.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and revenues and expenditures. Actual results could differ from those estimates.

Subsequent Events – Management has evaluated subsequent events through November 1, 2013, the date the financial statements were available to be issued.

**CARSON CITY-CRYSTAL AREA SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
(Continued)**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriation) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no significant amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The school district had no funds with expenditure budget variances.

Capital Projects Fund Compliance – The 2010 and 2012 School Building and Site Funds were funded with bonds issued after May 1, 1994. For expenditures from these capital projects fund, the district has complied with applicable provisions of Section 1351a of the State of Michigan’s School Code.

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	5,585	Food Service Fund	5,585
General Fund	100	2012 Refunding Debt Fund	100
General Fund	100	2012 Bond Fund	100
2003 Refunding Debt Fund	408	General Fund	408

Interfund receivables and payables are liquidated on an ongoing basis.

Activity is generally a result of combined Revenue & Expenditures deposited into or paid by one fund for another fund.

**CARSON CITY-CRYSTAL AREA SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
(Continued)**

NOTE 4 - CASH AND INVESTMENTS

Deposits in banks are carried at cost. Certificates of Deposit and other investments are carried at cost plus accrued interest. Act 217, PA 1982, authorizes the District to deposit and invest in the accounts of federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The District's deposits and investments are in accordance with statutory authority. All cash and investments of the district are liquid and considered cash equivalents.

The following cash is shown on the financial statements:

Governmental Activities	1,220,047
Fiduciary Funds	<u>70,010</u>
Total	<u>1,290,057</u>

This is made up of the following:

Cash on Hand	600
Deposits in Banks	1,262,293
Pooled Assets Funds – MILAF (Rating AAAm)	<u>27,164</u>
Total	<u>1,290,057</u>

Risk disclosures for deposits in banks are as follows:

Deposits in 2 Banks	Carrying Amount	Balance per Bank
Insured by FDIC	700,098	700,097
Uninsured	<u>562,195</u>	<u>709,919</u>
Total Deposits	<u>1,262,293</u>	<u>1,410,016</u>

**CARSON CITY-CRYSTAL AREA SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
(Continued)**

NOTE 5 - LONG TERM DEBT

The following is a summary of the long term debt transactions for the District for the year ended June 30, 2013:

	Balance 7/1/12	New Debt	Principal Payments	Balance 6/30/13
2003 Refunding Bond Issue	3,165,000	-	(3,165,000)	-
2008 QZAB Bond Issue	155,000	-	-	155,000
2012 Refunding Bond Issue	2,810,000	-	(55,000)	2,755,000
2012 Bond Issue	<u>-</u>	<u>995,000</u>	<u>(485,000)</u>	<u>510,000</u>
Total	<u>6,130,000</u>	<u>995,000</u>	<u>(3,705,000)</u>	<u>3,420,000</u>

Long term debt at June 30, 2012, is comprised of the following:

	Balance <u>6/30/13</u>
2008 Qualified Zone Academy Bond (QZAB) – Amount \$155,000. Due on 12-18-22. No interest, but bondholder (a bank) requires annual deposits to a non-interest-bearing debt retirement account.	155,000
2012 Refunding Bonds (to refund most of 2003 Refunding Bonds) – Original Amount \$2,810,000. Due in annual installments of \$415,000 to \$510,000 through 5-1-19, interest at 1.5% to 2.0%, payable semi-annually.	2,755,000
2012 Bond Issue – Original Amount \$995,000. Due in annual installment of \$510,000 on 5-1-14, interest at 1.0%, payable semi-annually.	<u>510,000</u>
Total Long Term Debt	<u>3,420,000</u>

Interest paid on long term debt for the fiscal year totaled \$185,006, all of which is shown as expense.

**CARSON CITY-CRYSTAL AREA SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
(Continued)**

NOTE 5 - LONG TERM DEBT (Continued)

The annual requirements to pay the principal and interest on the District's long term debt obligations outstanding as of June 30, 2013:

Fiscal Year Ending	Principal	Interest	Total
6-30-2014	1,020,000	50,675	1,070,675
6-30-2015	480,000	37,925	517,925
6-30-2016	465,000	30,725	495,725
6-30-2017	450,000	23,750	473,750
6-30-2018	435,000	17,000	452,000
6-30-2019	415,000	8,300	423,300
6-30-2023	<u>155,000</u>	<u>0</u>	<u>155,000</u>
Total	<u>3,420,000</u>	<u>168,375</u>	<u>3,588,375</u>

NOTE 6 - SHORT-TERM DEBT

The District borrowed \$1,390,000 in August, 2012 against State Aid for the 2012-2013 fiscal year and repaid \$600,000 during the fiscal year, and the balance of \$790,000 in July and August, 2013. The District has subsequently borrowed \$1,650,000 against State Aid for the 2013-2014 fiscal year operations.

NOTE 7 - CONTINGENT LIABILITIES

Employees of the District are allowed to accumulate unused sick days, up to specified maximums. If they retire from the District, they are paid a nominal daily rate for the unused days. The daily rates and maximum accumulations vary among different classes of employees. As of June 30, 2013, the maximum liability for unused sick pay was estimated to be approximately \$48,000.

The School District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of June 30, 2013, appropriate liabilities have been recorded for all claims paid by the Commission. However, no provision has been made for future payments that might result from claims in process or unfilled.

**CARSON CITY-CRYSTAL AREA SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
(Continued)**

NOTE 8 - CAPITAL ASSETS

Capital asset activity of the school district's Governmental activities was as follows:

	7/1/2012	Additions	Deductions	6/30/2013
Assets not being depreciated:				
Land	158,090			158,090
Capital assets being depreciated:				
Land improvements	768,949			768,949
Buildings and Improvements	7,472,061	757,135		8,229,196
Buses and other vehicles	1,073,117		(58,827)	1,014,290
Furniture and equipment	<u>2,901,371</u>			<u>2,901,371</u>
Subtotal	12,215,498	757,135	(58,827)	12,913,806
Accumulated Depreciation				
Land improvements	502,232	15,242		517,474
Buildings and Improvements	4,043,941	185,932		4,229,873
Buses and other vehicles	821,301	58,157	(56,850)	822,608
Furniture and equipment	<u>2,603,795</u>	<u>29,000</u>		<u>2,632,795</u>
Subtotal	<u>7,971,269</u>	<u>288,331</u>	<u>(56,850)</u>	<u>8,202,750</u>
Net capital assets being depreciated	4,244,229	468,804	(1,977)	4,711,056
Construction in Progress	<u>28,000</u>	<u>26,956</u>	<u>(20,440)</u>	<u>34,516</u>
Net capital assets	<u>4,430,319</u>	<u>495,760</u>	<u>(22,417)</u>	<u>4,903,662</u>

Depreciation expense was not charged to activities as the district considers its assets to impact multiple activities and allocation is not practicable.

**CARSON CITY-CRYSTAL AREA SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension contribution rate ranged from 24.46% to 25.36% for the period July 1, 2012 through June 30, 2013, and 20.66% to 24.46% for the period July 1, 2011 through June 30, 2012 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3% to 4.3% of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2013 and 2012 were \$1,060,245 and \$1,002,899, respectively.

Post Employment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

NOTE 10 - INSURANCE RISK

Worker's Compensation, Liability & Property Insurance – The District's insurance for Workers' Compensation is with the SET SEG Workers' Compensation Fund and General Liability and Property Loss is with SET SEG Property/Casualty Pool. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The district is not self-insured other than for minimal deductibles. No known material claims are outstanding. Insurance coverage is substantially the same as in previous years.

Medical Self-Insurance – The School District was self-funded for medical and dental benefits for eligible employees. (Michigan Education Health Insurance Pool.) The shared-risk pool program in which the School district participated operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. During the year, substantially all employees discontinued participation in this program.

**CARSON CITY-CRYSTAL AREA SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
(Continued)**

NOTE 10 - INSURANCE RISK – continued

Activity of employee self-funded medical and dental plan for the past two fiscal years were as follows:

	<u>2012 - 2013</u>	<u>2011 - 2012</u>
Balance - Beginning of Period	8,998	-
Premium Paid	782,682	481,260
Capital Contribution	236,942	65,299
Claims Paid	(983,369)	(411,021)
Administrative Cost	(39,651)	(29,956)
IBNR (estimate) and Adjustments	<u>(6,232)</u>	<u>(96,584)</u>
Balance as of June 30, 2012	<u><u>(630)</u></u>	<u><u>8,998</u></u>

As of June 30, 2013, the district owed an additional \$211,464 in contributions, claims, etc.

NOTE 11 - OPERATING LEASES

The District leases a number of copiers under long-term leases. The leases are classified as operating leases, as the District generally replaces all equipment at the end of the initial lease term, rather than extending the leases or exercising purchase options, if any. Rent paid under the leases during the fiscal year totaled \$19,093.

Future minimum lease payments as of June 30, 2013, based on current rates, are as follows:

Fiscal year ending June 30:	2014	20,679
	2015	20,679
	2016	12,708
	2017	5,418
	2018	<u>3,630</u>
	Total	<u><u>63,114</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

**CARSON CITY-CRYSTAL AREA SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amount Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local Sources	1,136,762	1,156,191	1,176,609	20,418
State Sources	6,335,367	6,158,762	6,165,834	7,072
Federal Sources	549,879	422,063	423,200	1,137
Intermediate Sources	<u>81,300</u>	<u>244,071</u>	<u>245,885</u>	<u>1,814</u>
Total Revenue	8,103,308	7,981,087	\$ 8,011,528	30,441
Expenditures:				
Instruction:				
Basic Programs	4,081,826	4,247,164	4,206,527	40,637
Added Needs	1,078,807	988,725	975,125	13,600
Supporting Services				
Pupil	321,698	324,564	323,273	1,291
Instructional Staff	202,757	169,663	167,179	2,484
Administration and Business	903,922	830,140	825,478	4,662
Plant Operation	808,060	780,444	780,111	333
Transportation	575,060	534,151	525,920	8,231
Central	454,613	414,991	412,228	2,763
Intergovernmental Payments	-	127,000	125,543	1,457
Operating Transfers	<u>11,072</u>	<u>11,072</u>	<u>6,471</u>	<u>4,601</u>
Total Expenditures	<u>8,437,815</u>	<u>8,427,914</u>	<u>8,347,855</u>	<u>80,059</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses				
	(334,507)	(446,827)	(336,327)	110,500
Fund Balance - Beginning of Year	<u>496,827</u>	<u>496,827</u>	<u>496,827</u>	<u>-</u>
Fund Balance - End of Year	<u>162,320</u>	<u>50,000</u>	<u>160,500</u>	<u>110,500</u>

See Notes to Financial Statements.

**OTHER SUPPLEMENTAL
FINANCIAL INFORMATION**

**CARSON CITY-CRYSTAL AREA SCHOOLS
NONMAJOR GOVERNMENTAL FUND
SPECIAL REVENUE FUND - FOOD SERVICE
BALANCE SHEET
AS OF JUNE 30, 2013**

Assets

Cash	1,083
Accounts Receivable	1,775
Due from Other Governmental Unit	7,033
Inventory	<u>4,043</u>
 Total Assets	 <u>13,934</u>

Liabilities and Fund Balances

Liabilities	
Accounts Payable	361
Due to Other Funds	5,585
Due to Other Governmental Units	2
Deferred Revenue	<u>1,004</u>
Total Liabilities	6,952
 Fund Balances	
Non-Spendable	4,043
Restricted	<u>2,939</u>
Total Fund Balances	<u>6,982</u>
 Total Liabilities and Fund Balances	 <u>13,934</u>

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUND - FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues			
Local Sources			
Meals Sold	135,500	136,953	1,453
Other	<u>2,500</u>	<u>3,582</u>	<u>1,082</u>
Total Local Sources	138,000	140,535	2,535
State Sources	19,000	19,315	315
Federal Sources			
Child Nutrition			
Cash	251,000	252,304	1,304
Commodities	<u>17,000</u>	<u>17,568</u>	<u>568</u>
Total Federal Sources	<u>268,000</u>	<u>269,872</u>	<u>1,872</u>
Total Revenues	425,000	429,722	4,722
Expenditures			
Salaries & Wages	109,485	109,479	6
Employee Benefits	60,162	60,052	110
Purchased Services	7,395	7,390	5
Food and Supplies	226,735	226,085	650
Child Nutrition Commodities	17,000	17,568	(568)
Adjustment to Prior Year's State Aid	82	82	-
Other	<u>6,541</u>	<u>6,540</u>	<u>1</u>
Total Expenditures	427,400	427,196	204
Other Financing Use			
Transfer to Other Fund	<u>4,600</u>	<u>4,600</u>	<u>-</u>
Total Expenditures and Other Use	<u>432,000</u>	<u>431,796</u>	<u>204</u>
Excess (Deficiency) of Revenues over Expenditures and Other Use	(7,000)	(2,074)	4,926
Fund Balance - July 1, 2012	<u>9,056</u>	<u>9,056</u>	<u>-</u>
Fund Balance - June 30, 2013	<u><u>2,056</u></u>	<u><u>6,982</u></u>	<u><u>4,926</u></u>

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
 DETAILED SCHEDULE OF GENERAL FUND REVENUES
 BUDGETED AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>2013</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>	Variance Favorable (Unfavorable)	<u>2012</u> <u>Actual</u>
Local Sources				
Current Property Taxes	1,050,081	1,051,744	1,663	1,036,598
Interest	1,901	2,148	247	2,977
Donations	3,500	3,616	116	4,371
Other Local Revenue	<u>100,709</u>	<u>119,101</u>	<u>18,392</u>	<u>125,681</u>
Total	1,156,191	1,176,609	20,418	1,169,627
State Sources				
Grants - Unrestricted:				
State Aid	4,661,077	4,663,520	2,443	5,749,137
Grants - Restricted State Aid:				
At Risk	214,000	218,589	4,589	194,665
Special Education	221,164	221,164	-	228,103
MPSERS	173,667	173,698	31	87,357
Early Childhood	-	-	-	-
Other	<u>888,854</u>	<u>888,863</u>	<u>9</u>	<u>21,864</u>
Total	6,158,762	6,165,834	7,072	6,281,126
Federal Sources				
Title I	341,000	341,147	147	421,715
Title II	55,563	56,553	990	145,269
Title VI	25,500	25,500	-	17,410
ARRA	-	-	-	38,344
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>422,063</u>	<u>423,200</u>	<u>1,137</u>	<u>622,738</u>
 Total Revenues	 7,737,016	 7,765,643	 28,627	 8,073,491
Incoming Transfers and Other Transactions				
Transfers from Intermediate School Districts:				
Preschool	90,440	90,440	-	102,000
Special Education	45,351	45,356	5	15,154
Medicaid	72,600	72,638	38	65,574
Other	<u>35,680</u>	<u>37,451</u>	<u>1,771</u>	<u>35,430</u>
Total	244,071	245,885	1,814	218,158
 Transfer from Other Fund Special Revenue	 <u>-</u>	 <u>4,600</u>	 <u>4,600</u>	 <u>2,451</u>
Total Revenues, Incoming Transfers and Other Transactions	<u><u>7,981,087</u></u>	<u><u>8,016,128</u></u>	<u><u>35,041</u></u>	<u><u>8,294,100</u></u>

See the Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
 DETAILED SCHEDULE OF GENERAL FUND EXPENDITURES
 BUDGETED AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	2013 <u>Budget</u>	2013 <u>Actual</u>	Variance Favorable (Unfavorable)	2012 <u>Actual</u>
Instruction				
Basic Programs:				
Elementary:				
Salaries & Wages	1,126,057	1,125,935	122	1,116,760
Fringes	661,970	661,147	823	613,627
Travel & Conference	10,450	9,765	685	13,628
Contract Services	8,700	7,524	1,176	8,168
Teaching Supplies	8,517	8,241	276	3,779
Other	<u>450</u>	<u>284</u>	<u>166</u>	<u>115</u>
Total	1,816,144	1,812,896	3,248	1,756,077
Middle School:				
Salaries & Wages	528,607	528,551	56	572,964
Fringes	408,556	381,480	27,076	355,787
Travel & Conferences	27,279	27,275	4	10,866
Contract Services	1,000	958	42	987
Teaching Supplies	19,506	19,484	22	19,240
Other	<u>900</u>	<u>888</u>	<u>12</u>	<u>2,596</u>
Total	985,848	958,636	27,212	962,440
High School:				
Salaries & Wages	732,347	730,141	2,206	720,471
Fringes	481,366	478,113	3,253	411,842
Travel & Conferences	53,570	53,234	336	38,950
Contract Services	25,020	24,987	33	23,535
Teaching Supplies	28,042	27,791	251	22,570
Other	<u>3,167</u>	<u>3,133</u>	<u>34</u>	<u>4,547</u>
Total	1,323,512	1,317,399	6,113	1,221,915
Preschool:				
Salaries	76,456	76,423	33	69,801
Fringes	43,389	39,456	3,933	37,111
Contract Services	915	909	6	699
Supplies	760	676	84	687
Other	<u>140</u>	<u>132</u>	<u>8</u>	<u>-</u>
Total	<u>121,660</u>	<u>117,596</u>	<u>4,064</u>	<u>108,298</u>
Total Basic Programs	4,247,164	4,206,527	40,637	4,048,730

See Notes to Financial Statements.

Carson City-Crystal Area Schools
Detailed Schedule of General Fund Expenditures
Budgeted and Actual (Continued)
For the Fiscal Year Ended June 30, 2013
Page 2

	<u>2013</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>	Variance <u>Favorable</u> <u>(Unfavorable)</u>	<u>2012</u> <u>Actual</u>
Instruction (Continued)				
Added Needs:				
Special Education				
Salaries & Wages	368,973	368,869	104	351,450
Fringes	227,472	219,828	7,644	183,728
Contractual	7,105	7,101	4	21,976
Teaching Supplies & Textbooks	<u>2,012</u>	<u>2,009</u>	<u>3</u>	<u>1,914</u>
Total	605,562	597,807	7,755	559,068
Summer School				
Salaries & Wages	13,303	12,888	415	24,175
Fringes	4,234	4,176	58	7,207
Contractual	-	-	-	-
Teaching Supplies & Textbooks	<u>610</u>	<u>609</u>	<u>1</u>	<u>1,442</u>
Total	18,147	17,673	474	32,824
Compensatory Education				
Salaries	230,958	230,878	80	243,322
Fringes	109,763	104,484	5,279	121,690
Travel & Conferences	6,047	6,046	1	16,023
Teaching Supplies	<u>18,248</u>	<u>18,237</u>	<u>11</u>	<u>36,791</u>
Total	<u>365,016</u>	<u>359,645</u>	<u>5,371</u>	<u>417,826</u>
Total Added Needs	<u>988,725</u>	<u>975,125</u>	<u>13,600</u>	<u>1,009,718</u>
Total Instruction	5,235,889	5,181,652	54,237	5,058,448

See Notes to Financial Statements.

Carson City-Crystal Area Schools
Detailed Schedule of General Fund Expenditures
Budgeted and Actual (Continued)
For the Fiscal Year Ended June 30, 2013
Page 3

	<u>2013</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>	Variance <u>Favorable</u> <u>(Unfavorable)</u>	<u>2012</u> <u>Actual</u>
Supporting Services				
Guidance				
Salaries & Wages	37,511	37,308	203	32,632
Fringes	23,863	23,862	1	19,871
Supplies & Other	<u>4,848</u>	<u>4,847</u>	<u>1</u>	<u>6,192</u>
Total	66,222	66,017	205	58,695
Health Services:				
Contracted Services	551	551	-	571
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	551	551	-	571
Speech Therapy:				
Contractual	63,255	63,255	-	64,537
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	63,255	63,255	-	64,537
Social Worker:				
Salaries & Wages	113,186	113,185	1	110,871
Fringes	80,609	79,525	1,084	68,534
Travel & Conferences	-	-	-	-
Other	<u>741</u>	<u>740</u>	<u>1</u>	<u>879</u>
Total	194,536	193,450	1,086	180,284
Curriculum & Supervision				
Salaries & Wages	37,453	37,453	-	38,097
Fringes	12,497	12,473	24	8,167
Travel & Conferences	15,479	15,341	138	52,581
Supplies & Other	<u>12,992</u>	<u>10,954</u>	<u>2,038</u>	<u>54,415</u>
Total	78,421	76,221	2,200	153,260
Media Services				
Salaries & Wages	20,759	20,757	2	24,665
Fringes	7,057	7,028	29	7,997
Supplies, Books & Periodicals	6,815	6,704	111	7,720
Contracted Services	-	-	-	533
Other	<u>6,664</u>	<u>6,660</u>	<u>4</u>	<u>6,024</u>
Total	41,295	41,149	146	46,939

See Notes to Financial Statements.

Carson City-Crystal Area Schools
Detailed Schedule of General Fund Expenditures
Budgeted and Actual (Continued)
For the Fiscal Year Ended June 30, 2013
Page 4

	<u>2013</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>	Variance <u>Favorable</u> <u>(Unfavorable)</u>	<u>2012</u> <u>Actual</u>
Supporting Services (Continued)				
Board of Education:				
Salaries & Wages	1,400	1,400	-	1,200
Professional Services	41,475	41,408	67	32,874
Purchased Services	-	-	-	2,435
Workshops	-	-	-	500
Election	907	907	-	8,722
Other	<u>6,165</u>	<u>6,094</u>	<u>71</u>	<u>6,966</u>
Total	49,947	49,809	138	52,697
Executive Administration:				
Salaries & Wages	101,187	101,102	85	142,324
Fringes	52,673	52,105	568	18,390
Travel & Conferences	2,260	1,679	581	125
Supplies	450	406	44	1,064
Other	<u>7,311</u>	<u>7,114</u>	<u>197</u>	<u>6,665</u>
Total	163,881	162,406	1,475	168,568
Office of the Principal:				
Salaries & Wages	267,646	267,622	24	262,520
Fringes	183,458	182,703	755	159,387
Professional	83,415	83,414	1	80,582
Travel & Conferences	3,240	3,238	2	2,044
Office Supplies	11,553	11,498	55	18,972
Other	<u>3,430</u>	<u>3,334</u>	<u>96</u>	<u>3,571</u>
Total	552,742	551,809	933	527,076
Business Services:				
Salaries & Wages	45,440	45,439	1	47,455
Fringes	21,362	21,355	7	21,377
Professional	13,841	13,945	(104)	20,000
Office Supplies	3,100	2,989	111	3,037
Interest	14,806	14,805	1	22,761
Tax Adjustments	4,475	2,462	2,013	1,984
Other	<u>10,491</u>	<u>10,268</u>	<u>223</u>	<u>8,014</u>
Total	113,515	111,263	2,252	124,628

See Notes to Financial Statements.

Carson City-Crystal Area Schools
Detailed Schedule of General Fund Expenditures
Budgeted and Actual (Continued)
For the Fiscal Year Ended June 30, 2013
Page 5

	<u>2013</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>	Variance <u>Favorable</u> <u>(Unfavorable)</u>	<u>2012</u> <u>Actual</u>
Supporting Services (Continued)				
Operations & Maintenance of Plant:				
Salaries & Wages	225,435	225,430	5	217,316
Fringes	170,125	170,008	117	152,682
Utilities	165,293	165,130	163	188,563
Repairs & Maintenance	30,532	31,050	(518)	50,841
Custodial & Maintenance Supplies	85,475	85,313	162	90,087
Insurance	37,341	37,340	1	31,854
Contractual	51,340	50,941	399	36,030
Conferences	177	177	-	-
Capital Outlay	-	-	-	9,490
Other	<u>7,731</u>	<u>7,729</u>	<u>2</u>	<u>5,673</u>
Total	773,449	773,118	331	782,536
Security Services:				
Salaries & Wages	4,230	4,230	-	3,840
Fringes	1,373	1,371	2	1,220
Professional	1,392	1,392	-	1,178
Office Supplies	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,513</u>
Total	6,995	6,993	2	9,751
Pupil Transportation:				
Salaries & Wages	219,950	219,678	272	219,941
Fringes	173,110	165,556	7,554	158,700
Purchased Services	4,340	4,337	3	6,073
Gas, Oil & Grease	75,146	75,140	6	87,605
Vehicle Repair	32,525	31,852	673	27,275
Garage Supplies	12,400	12,711	(311)	13,348
Insurance	12,760	12,760	-	7,964
Other	<u>3,920</u>	<u>3,886</u>	<u>34</u>	<u>1,536</u>
Total	534,151	525,920	8,231	522,442
Community & Staff Services:				
Salaries & Wages	990	976	14	2,231
Fringes	303	301	2	308
Travel & Conferences	5,824	5,795	29	1,611
Other	<u>2,488</u>	<u>2,487</u>	<u>1</u>	<u>2,160</u>
Total	9,605	9,559	46	6,310

See Notes to Financial Statements.

Carson City-Crystal Area Schools
Detailed Schedule of General Fund Expenditures
Budgeted and Actual (Continued)
For the Fiscal Year Ended June 30, 2013
Page 6

	<u>2013</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	<u>2012</u> <u>Actual</u>
Supporting Services (Continued)				
Technology:				
Salaries & Wages	43,710	43,709	1	58,419
Fringes	15,252	15,243	9	24,111
Contracted	44,956	44,862	94	22,203
Communications	20,900	20,785	115	22,159
Supplies	5,862	5,767	95	17,024
Capital Outlay	-	-	-	42,824
Other	-	-	-	-
Total	<u>130,680</u>	<u>130,366</u>	<u>314</u>	<u>186,740</u>
Attendance:				
Salaries & Wages	4,223	4,172	51	4,074
Fringes	5,150	4,889	261	4,799
Other	63	63	-	50
Total	<u>9,436</u>	<u>9,124</u>	<u>312</u>	<u>8,923</u>
Athletics:				
Salaries & Wages	95,294	95,293	1	110,832
Fringes	46,590	46,521	69	38,436
Contracted	75,982	75,714	268	56,696
Equipment Rental & Repairs	8,284	7,838	446	10,305
Supplies	19,956	18,796	1,160	12,336
Capital Outlay	-	-	-	17,726
Other	<u>19,166</u>	<u>19,017</u>	<u>149</u>	<u>15,563</u>
Total	<u>265,272</u>	<u>263,179</u>	<u>2,093</u>	<u>261,894</u>
Total Supporting Services	3,053,953	3,034,189	19,764	3,155,851
Transfer to Other Funds				
Debt Service	11,072	11,071	1	11,072
Transfers to Other Districts				
Tuition	37,147	37,146	1	33,500
Special Education Fees	49,300	49,222	78	61,515
Transportation	33,553	32,175	1,378	30,402
Sub Grant - Bilingual	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>3,691</u>
Total	<u>127,000</u>	<u>125,543</u>	<u>1,457</u>	<u>129,108</u>
Total Expenditures	<u><u>8,427,914</u></u>	<u><u>8,352,455</u></u>	<u><u>75,459</u></u>	<u><u>8,354,479</u></u>

See Notes to Financial Statements.

**CARSON CITY - CRYSTAL AREA SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	2003 Refunding Debt	2008 QZAB Debt	2010 Debt	2012 Refunding Debt	2012 Debt	Total
Assets						
Cash and Investments	69,862	44,282	-	32,114	53,840	200,098
Accounts Receivable	8,648	-	-	136	682	9,466
Due from (to) Other Debt Funds	18,818			(18,818)	-	-
Due from Other Funds	<u>408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>408</u>
 Total Assets	 <u>97,736</u>	 <u>44,282</u>	 <u>-</u>	 <u>13,432</u>	 <u>54,522</u>	 <u>209,972</u>
Liabilities and Fund Balances						
Liabilities						
Due to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>	<u>200</u>
 Total Liabilities	 -	 -	 -	 100	 100	 200
 Fund Balance - Restricted	 <u>97,736</u>	 <u>44,282</u>	 <u>-</u>	 <u>13,332</u>	 <u>54,422</u>	 <u>209,772</u>
 Total Liabilities and Fund Balances	 <u>97,736</u>	 <u>44,282</u>	 <u>-</u>	 <u>13,432</u>	 <u>54,522</u>	 <u>209,972</u>

See Notes to Financial Statements.

**CARSON CITY - CRYSTAL AREA SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
JUNE 30, 2013**

	2003 Refunding Debt	2008 QZAB Debt	2010 Debt	2012 Refunding Debt	2012 Debt	Total
Revenues						
Local Sources						
Taxes	511,289	-	-	102,164	510,821	1,124,274
Interest	<u>4,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>4,135</u>
Total Local Sources	515,411	-	-	102,164	510,834	1,128,409
State Sources						
State Aid - Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,300</u>	<u>-</u>	<u>8,300</u>
Total Revenues	<u>515,411</u>	<u>-</u>	<u>-</u>	<u>110,464</u>	<u>510,834</u>	<u>1,136,709</u>
Other Financing Sources						
Transfer from (to) Other Debt Funds	10,307	-	(46,247)	-	35,940	-
Transfer from Other Funds	<u>-</u>	<u>11,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,071</u>
Total Other Sources	<u>10,307</u>	<u>11,071</u>	<u>(46,247)</u>	<u>-</u>	<u>35,940</u>	<u>11,071</u>
Total Revenues and Other Sources	525,718	11,071	(46,247)	110,464	546,774	1,147,780
Expenditures						
Bond Principal Payments	3,165,000	-	-	55,000	485,000	3,705,000
Bond Interest	135,917	-	-	42,018	7,071	185,006
Adjustment & Write-off of Prior Years' Taxes	2,356	-	-	-	181	2,537
Other	<u>290</u>	<u>-</u>	<u>-</u>	<u>114</u>	<u>100</u>	<u>504</u>
Total Expenditures	3,303,563	-	-	97,132	492,352	3,893,047
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(2,777,845)	11,071	(46,247)	13,332	54,422	(2,745,267)
Fund Balance - July 1, 2012	<u>2,875,581</u>	<u>33,211</u>	<u>46,247</u>	<u>-</u>	<u>-</u>	<u>2,955,039</u>
Fund Balance - June 30, 2013	<u><u>97,736</u></u>	<u><u>44,282</u></u>	<u><u>-</u></u>	<u><u>13,332</u></u>	<u><u>54,422</u></u>	<u><u>209,772</u></u>

See Notes to Financial Statements.

**CARSON CITY - CRYSTAL AREA SCHOOLS
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	2010 Capital Projects	2012 Capital Projects	Total
Assets			
Cash	<u>61,178</u>	<u>185,713</u>	<u>246,891</u>
Total Assets	<u>61,178</u>	<u>185,713</u>	<u>246,891</u>
Liabilities and Fund Balances			
Liabilities			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	-	-	-
Fund Balance - Restricted	<u>61,178</u>	<u>185,713</u>	<u>246,891</u>
Total Liabilities and Fund Balances	<u>61,178</u>	<u>185,713</u>	<u>246,891</u>

See Notes to Financial Statements.

**CARSON CITY - CRYSTAL AREA SCHOOLS
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
JUNE 30, 2013**

	2010 Capital Projects	2012 Capital Projects	Total
Revenues			
Local Source			
Interest	<u>61</u>	<u>-</u>	<u>61</u>
Total Revenues	61	-	61
Other Financing Source			
Proceeds of Bond Issue	<u>-</u>	<u>995,000</u>	<u>995,000</u>
Total Revenues and Other Source	61	995,000	995,061
Expenditures			
Capital Outlay	-	763,651	763,651
Non-Depreciable Items	499	-	499
Other	<u>-</u>	<u>27</u>	<u>27</u>
Total Expenditures	499	763,678	764,177
Other Financing Use			
Cost of Issuing Bonds	<u>-</u>	<u>17,609</u>	<u>17,609</u>
Total Expenditures and Other Use	<u>499</u>	<u>781,287</u>	<u>781,786</u>
Excess (Deficiency) of Revenues and Other Source Over Expenditures and Other Use	(438)	213,713	213,275
Fund Balance - July 1, 2012	<u>61,616</u>	<u>(28,000)</u>	<u>33,616</u>
Fund Balance - June 30, 2013	<u>61,178</u>	<u>185,713</u>	<u>246,891</u>

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
TRUST AND AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2013**

	Balance 7/1/2012	Additions	Deductions	Balance 6/30/2013
Assets				
Cash	<u>77,820</u>	<u>162,445</u>	<u>170,255</u>	<u>70,010</u>
Liabilities				
Due to Student Organizations	<u>77,820</u>	<u>162,445</u>	<u>170,255</u>	<u>70,010</u>

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
SCHEDULE OF DEBT REQUIREMENTS BY YEAR
BONDED DEBT
JUNE 30, 2013**

Fiscal Year Ended	Principal Due 12-18	Interest Rate	Interest Due	Total Requirement
6/30/2023	<u>155,000</u>	0.00%	<u>.00</u>	<u>155,000</u>
Issued 12-18-08 - \$155,000				

Fiscal Year Ended	Principal Due 5-1	Interest Rate	Interest Due 11-1 and 5-1	Total Requirement
6/30/2014	510,000	1.50%	45,575	555,575
6/30/2015	480,000	1.50%	37,925	517,925
6/30/2016	465,000	1.50%	30,725	495,725
6/30/2017	450,000	1.50%	23,750	473,750
6/30/2018	435,000	2.00%	17,000	452,000
6/30/2019	<u>415,000</u>	2.00%	<u>8,300</u>	<u>423,300</u>
Total	<u>2,755,000</u>		<u>163,275</u>	<u>2,918,275</u>
Issued 6-5-12 - \$2,810,000				

Fiscal Year Ended	Principal Due 5-1	Interest Rate	Interest Due 11-1 and 5-1	Total Requirement
6/30/2014	<u>510,000</u>	1.00%	<u>5,100</u>	<u>515,100</u>
Issued 7-25-12 - \$995,000				

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
JUNE 30, 2013**

Year of Levy	Balance 7/1/12	2012 Roll	2012-13 Collections	Write Off Uncollectible Taxes	Balance 6/30/13
GENERAL FUND					
2012	-	1,051,744	1,049,716	-	2,028
2011	2,109	-	902	-	1,207
2010	2,774	-	-	-	2,774
2009	1,374	-	-	-	1,374
2008	3,347	-	-	-	3,347
2007	2,462	-	-	2,462	-
Total	<u>12,066</u>	<u>1,051,744</u>	<u>1,050,618</u>	<u>2,462</u>	<u>10,730</u>
DEBT RETIREMENT FUND (ALL DEBTS)					
2012	-	1,123,806	1,122,306	-	1,500
2011	20,153	-	15,798	-	4,355
2010	1,106	-	-	-	1,106
2009	944	-	-	-	944
2008	1,561	-	-	-	1,561
2007	2,106	-	-	2,106	-
Total	<u>25,870</u>	<u>1,123,806</u>	<u>1,138,104</u>	<u>2,106</u>	<u>9,466</u>
1993 Debt					
2007	701	-	-	701	-
2003 Refunding Debt					
2012	-	510,821	510,139	-	682
2011	10,214	-	8,007	-	2,207
2010	580	-	-	-	580
2009	472	-	-	-	472
2008	823	-	-	-	823
2007	254	-	-	254	-
Total	<u>12,343</u>	<u>510,821</u>	<u>518,146</u>	<u>254</u>	<u>4,764</u>
2006 Debt					
2007	1,151	-	-	1,151	-
2008 Debt					
2009	472	-	-	-	472
2008	738	-	-	-	738
Total	<u>1,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,210</u>
2010 Debt					
2011	9,939	-	7,791	-	2,148
2010	526	-	-	-	526
Total	<u>10,465</u>	<u>-</u>	<u>7,791</u>	<u>-</u>	<u>2,674</u>
2012 Refunding Debt					
2012	-	102,164	102,028	-	136
2012 Debt					
2012	-	510,821	510,139	-	682

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
 DETAILED SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 TRUST AND AGENCY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Balance 6/30/2012	Receipts & Transfers	Disbursements & Transfers	Balance 6/30/2013
AP Testing	32.00	853.00	786.00	99.00
Art	1,771.05	331.60	1,603.54	499.11
Band	165.47	2,392.99	2,026.15	532.31
Baseball	874.17	11,306.24	10,958.25	1,222.16
Basketball - Boys'	2,204.29	3,319.75	3,495.14	2,028.90
Basketball - Girls'	375.61	6,028.07	4,614.23	1,789.45
Boosters' Supplies	9,667.19	2,423.20	12,090.39	-
Class of 2011	20.00	-	20.00	-
Class of 2012	402.63	-	402.63	-
Class of 2013	2,170.53	1,414.00	2,506.92	1,077.61
Class of 2014	2,725.47	3,149.75	3,353.94	2,521.28
Class of 2015	1,747.26	116.00	162.99	1,700.27
Class of 2016	-	3,995.66	3,925.30	70.36
Colorguard	45.81	-	-	45.81
Cross Country/Track	311.85	-	284.25	27.60
Davis Memorial	2,379.20	1,500.00	1,000.00	2,879.20
Drama Club	1,655.35	617.00	394.88	1,877.47
Eagle Pride Project	1,500.00	10,288.73	11,711.91	76.82
Eighth Grade Government	2,695.37	4,207.08	4,122.58	2,779.87
Fifth Grade	7,393.11	10,963.38	11,556.94	6,799.55
Football	1,079.05	9,687.33	8,903.54	1,862.84
Fourth Grade	2,956.09	16,385.06	15,806.66	3,534.49
Hubbardston Historical Society Scholarship	750.00	-	500.00	250.00
ITV Room	47.67	-	-	47.67
Magazine Sales - Middle School	2,762.61	217.10	2,979.71	-
McKenna Humanities Scholarship	300.00	300.00	-	600.00
Media Center	3,123.49	3,705.98	3,516.64	3,312.83
Middle School E.M.I.	7.03	-	-	7.03
National Honor Society	320.37	461.00	386.50	394.87
Odyssey of the Mind	880.27	-	-	880.27
Pom Pon - High School	61.07	1,148.52	881.50	328.09
Pom Pon - Middle School	71.00	-	-	71.00
Property Deposit	887.19	264.98	181.40	970.77
Quiz Bowl	1,361.13	-	450.00	911.13
Rocket Youth Football	0.23	-	-	0.23
School - C.C. Elementary	11,129.88	8,825.75	7,649.46	12,306.17
School - High School	1,756.32	1,979.04	3,694.38	40.98
School - Middle School	164.18	13,356.04	11,191.78	2,328.44
Science Club	1,050.05	-	-	1,050.05
Senior Mystery Trip	509.31	2,055.89	1,676.00	889.20
Service Learning	528.44	932.48	1,222.44	238.48
Seventh Grade Government	1,021.88	481.00	149.09	1,353.79
Sixth Grade	456.14	400.00	856.14	-
Sixth Grade Government	-	2,200.68	-	2,200.68

**Detailed Schedule of Receipts
and Disbursements
Trust and Agency Fund
For the Fiscal Year Ended June 30, 2013
Page 2**

	Balance 7/1/2012	Receipts & Transfers	Disbursements & Transfers	Balance 6/30/2013
Soda Pop Kids	-	500.00	75.00	425.00
Softball	-	2,633.00	2,595.74	37.26
Spanish Club	634.63	-	-	634.63
Special Olympics	169.79	-	60.00	109.79
Staff	-	228.00	176.42	51.58
Student Council	994.16	2,171.58	2,813.08	352.66
SWATS	207.01	-	-	207.01
T.A.D.D.	453.30	-	-	453.30
Track	1,935.45	894.18	927.70	1,901.93
Transitions	240.53	13,541.72	11,792.93	1,989.32
Vending	133.74	461.51	431.45	163.80
Volleyball	625.29	1,925.63	1,346.90	1,204.02
Wrestling	970.95	3,107.25	4,078.20	-
Yearbook - High School	430.32	10,294.94	8,481.20	2,244.06
Yearbook - Middle School	988.84	1,067.94	2,056.78	-
Yellow Ribbon	675.75	301.35	347.18	629.92
Youth Cheerleading	-	11.32	11.32	-
	<u>77,819.52</u>	<u>162,445.72</u>	<u>170,255.18</u>	<u>70,010.06</u>
TOTALS				

See Notes to Financial Statements.

CARSON CITY-CRYSTAL AREA SCHOOLS

SINGLE AUDIT REPORT

JUNE 30, 2013

Foote and Lloyd

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**CERTIFIED SPECIALIST
IN ESTATE PLANNING

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

To the Board of Education
Carson City-Crystal Area Schools
Carson City, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carson City- Crystal Area Schools as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Carson City-Crystal Area Schools' basic financial statements, and have issued our report thereon dated November 1, 2013..

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carson City-Crystal Area 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 Carson City-Crystal Area Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Carson City-Crystal Area Schools' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
November 1, 2013

Foote and Lloyd

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IN ESTATE PLANNING

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education
Carson City-Crystal Area Schools
Carson City, Michigan

Report on Compliance for Each Major Federal Program

We have audited Carson City-Crystal area Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Carson City-Crystal Area Schools' major federal programs for the year ended June 30, 2013. Carson City-Crystal Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Carson City-Crystal Area Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carson City-Crystal Area Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Carson City-Crystal Area Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Carson City-Crystal Area Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Carson City-Crystal Area Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carson City-Crystal Area Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carson City-Crystal Area Schools' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
November 1, 2013

**CARSON CITY-CRYSTAL AREA SCHOOLS
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Program or Award Amount	Cash or Inventory/ Accrued or (Deferred) Revenue at 7/1/2012	Current Year Cash/ Payments In Kind Received	Expenditures		Cash or Inventory/ Accrued or (Deferred) Revenue at 6/30/2013	
						Adjustments	Prior Year		Current Year
<u>U.S. DEPARTMENT OF EDUCATION</u>									
Passed Through M.D.E.									
Title I	84.010	1215301112	392,493	128,876	128,876		392,493	-	-
		1315301213	<u>368,234</u>	<u>-</u>	<u>301,387</u>		<u>-</u>	<u>341,147</u>	<u>39,760</u>
			760,727	128,876	430,263	-	392,493	341,147	39,760
Title VI	84.358	1206601112	16,475	968	968	-	16,475	-	-
		1306601213	<u>25,658</u>	<u>-</u>	<u>25,495</u>		<u>-</u>	<u>25,500</u>	<u>5</u>
			42,133	968	26,463	-	16,475	25,500	5
Title 11A - Teacher Quality	84.367	1205201112	95,309	39,053	39,917	-	94,445	864	-
		1305201213	<u>171,857</u>	<u>-</u>	<u>51,805</u>		<u>-</u>	<u>55,689</u>	<u>3,884</u>
			267,166	39,053	91,722	-	94,445	56,553	3,884
TOTAL M.D.E.			<u>1,070,026</u>	<u>168,897</u>	<u>548,448</u>	<u>-</u>	<u>503,413</u>	<u>423,200</u>	<u>43,649</u>
TOTAL U.S. DEPT. OF EDUCATION			1,070,026	168,897	548,448	-	503,413	423,200	43,649

**CARSON CITY-CRYSTAL AREA SCHOOLS
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
Page 2**

U.S. DEPARTMENT OF AGRICULTURE

Passed Through M.D.E.

Child Nutrition Cluster:

Non-Cash Assistance (Food)

National School Lunch Program

10.555		17,568	-	17,568	-	-	17,568	-
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Cash Assistance

School Breakfast Program

10.553	121970/131970	55,917	-	55,917	-	-	55,917	-
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National School Lunch Program

10.555	121960/131960	188,610	-	188,610	-	-	188,610	-
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Summer Food Service

Meals

10.559	120900/130900	7,045	-	7,045	-	-	7,045	-
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Administration

	121900/131900	<u>732</u>	-	<u>732</u>	-	-	<u>732</u>	-
--	---------------	------------	---	------------	---	---	------------	---

Total Cash Assistance

		<u>252,304</u>	-	<u>252,304</u>	-	-	<u>252,304</u>	-
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TOTAL U.S. DEPT. OF AGRICULTURE

		<u>269,872</u>	-	<u>269,872</u>	-	-	<u>269,872</u>	-
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GRAND TOTAL

		<u>1,339,898</u>	<u>168,897</u>	<u>818,320</u>	-	<u>503,413</u>	<u>693,072</u>	<u>43,649</u>
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CARSON CITY-CRYSTAL AREA SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

JUNE 30, 2013

NOTE 1 - EXPENDITURES

The expenditures in this Schedule of Federal Financial Assistance are in agreement with the amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.

NOTE 2 - SUPPORTING DOCUMENTATION

The financial reports including claims for advances and reimbursements, and amounts claimed or used for matching are timely, complete, accurate, and contain information that is supported by the books and records from which the basic financial statements have been prepared. Grant receipts on the schedule of Federal financial assistance reconcile to the grant section auditors report (R7120), except as noted.

NOTE 3 - COMPLIANCE WITH MICHIGAN DEPARTMENT OF EDUCATION

The financial reports are in compliance with laws, rules, requirements and guidelines of the Michigan Department of Education.

NOTE 4 - USDA COMMODITIES

The utilization rate of USDA donated commodities was 77%.

NOTE 5 - SPOILAGE OR PILFERAGE

There was no known spoilage or pilferage of USDA donated commodities during the year.

NOTE 6 – BASIS OF ACCOUNTING

The significant accounting policies used in preparing this schedule are identified in Note 1 of the Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
SCHEDULE OF RECONCILIATION OF REPORTED REVENUES
WITH EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Amount
Revenue from Federal Sources - per Financial Statements (All Funds)	693,072
Adjustments - None	<u> -</u>
Current Year Federal Expenditures per Schedule of Expenditure of Federal Awards	<u>693,072</u>

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Section 1 Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified: | No |
| b. Reportable conditions identified not considered to be material weaknesses? | None reported |
| c. Noncompliance material to the financial statements noted? | None reported |

Federal Awards

- | | |
|--|---------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | None |
| b. Reportable conditions identified not considered to be material weaknesses: | See Section 3 |
| 2. Type of auditor's report issued on compliance for major program: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133 Section 510(1)? | No |
| 4. Identification of major programs. | |

CFDA Number

10.555
10.553
10.559

Name of Federal Programs

Child Nutrition Cluster
 National School Lunch Program
 School Breakfast Program
 Summer Food Service

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | Yes |

Section 2

Financial Statement Findings

(None reported)

Section 3

Federal Award Findings and Questioned Costs

(None reported)

See Notes to Financial Statements.

**CARSON CITY-CRYSTAL AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
Page 2**

Prior Fiscal Year had no material Findings under A-133 audit.

See notes to Financial Statements.

Foote and Lloyd

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**CERTIFIED SPECIALIST
IN ESTATE PLANNING

There is no management letter for Carson City - Crystal Area Schools' June 30, 2013 Audit.

Foote and Lloyd

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IN ESTATE PLANNING

October 29, 2013

To the Finance Committee and Board of Education
Carson City-Crystal Area Schools
Carson City, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carson City-Crystal Area Schools for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 12, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Carson City-Crystal Area Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 estimate(s) affecting the District's financial statements was (were):

Management's estimate of the depreciation of fixed assets is based on an appraisal by a professional. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. Copies of all adjusting entries are attached.

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 will be requesting certain representations from management that will be included in a management representation letter before the audit is finalized.

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 governmental unit'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 the governmental unit's 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

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

This information is intended solely for the use of the finance committee, board of education and management of Carson City-Crystal Schools, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS