KALKASKA PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS

JUNE 30, 2018

Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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August 17, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Kalkaska Public Schools
Kalkaska, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kalkaska Public Schools, Kalkaska, Michigan as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kalkaska Public Schools, Kalkaska, Michigan as of June 30, 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 3.B. to the financial statements, Kalkaska Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than* Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv through xii and 38-43 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 Kalkaska Public Schools' basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2018, on our consideration of Kalkaska Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kalkaska Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kalkaska Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

This section of Kalkaska Public Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Financial Highlights Section

Government-Wide

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $13,788,121 creating a deficit net position amount. Of this amount net capital assets net of related debt was a positive $5,974,315.

- The government's total net deficit decreased by $706,158.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $7,519,841, an increase of $924,189 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $2,993,076.

Overview of the Financial Statements

A. Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, and liabilities. All of the year's revenue and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

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

Over time, increases and decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of 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 government-wide financial statements, the District's activities are all shown in one category titled "Governmental Activities". These activities, including regular and special education, transportation, administration, food services, athletic activities, and community services, are primarily financed with state and federal aids and property taxes.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called "non-major" funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

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 may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be 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 to determine whether there are more or less 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 government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

The District maintains two types of fiduciary funds. The Agency fund reports resources held by the District in a custodial capacity for individuals, private organizations and other governments. The Private Purpose fund reports resources held in trust for qualified students to have access to scholarships.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-37 of this report.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

C. Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30. The prior year has not been restated to include the new GASB No. 75 Standards – *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*:

	2018	2017
Assets		
Current Assets	$ 9,056,698	$ 8,448,198
Non Current Assets		
Capital Assets	41,826,370	41,534,485
Less Accumulated Depreciation	(21,372,587)	(19,473,446)
Total Non Current Assets	20,453,783	22,061,039
Total Assets	29,510,481	30,509,237
Deferred Outflows of Resources	5,167,710	3,135,831
Liabilities		
Current Liabilities	3,155,130	3,479,011
Non Current Liabilities	42,466,653	36,643,027
Total Liabilities	45,621,783	40,122,038
Deferred Inflows of Resources	2,844,529	767,429
Net Position		
Net Investment in Capital Assets	5,974,315	6,413,601
Restricted for Debt Service	1,453,579	1,000,089
Unrestricted - (Deficit)	(21,216,015)	(14,658,089)
Total Net Position - (Deficit)	$ (13,788,121)	$ (7,244,399)

D. Analysis of Financial Position

During the fiscal year ended June 30, 2018, the District's net position increased by $706,158. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

The District is required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2018, $1,925,123 was recorded for depreciation expense.

2. *Pension and Other Postemployment Benefits Expenses*

GASB 68 and 75 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report and increase or a decrease in net position depending on whether the District's proportionate share of the net pension and other postemployment benefit liabilities increases or decreases in any given year. For the year ended June 30, 2018, the District reported an increase in net position related to GASB 68 and 75, which indicates that the District's proportionate share of the net pension and net other postemployment benefit liabilities have decreased.

3. *Capital Outlay Acquisitions*

For the fiscal year ended June 30, 2018, $317,867 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, retired capital assets, and the current year's depreciation is a decrease to capital assets in the amount of $1,607,256 for the fiscal year ended June 30, 2018.

E. Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30. The prior year has not been restated to include the new GASB No. 75 Standards– *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

	2018	2017
General Revenues		
Property Taxes	$ 8,351,545	$ 7,968,018
Investment Earnings	62,268	29,083
State Sources	5,857,618	5,813,292
Other	183,468	86,892
Total General Revenues	14,454,899	13,897,285
Program Revenues		
Charges for Services	367,250	330,438
Operating Grants	5,182,588	4,770,932
Capital Grants	42,177	122,489
Total Program Revenues	5,592,015	5,223,859
Total Revenues	20,046,914	19,121,144

	2018	2017
Expenses		
Instruction	9,573,352	8,945,041
Supporting Services	5,252,673	4,929,030
Community Services	100,385	72,846
Payments to Other Districts	26,173	1,946
Facilities Acquisition, Construction, and Improvements	12,864	28,740
Food Service	767,934	838,114
Interest on Long-Term Debt	1,682,252	1,728,358
Unallocated Depreciation	1,925,123	1,857,339
Total Expenses	19,340,756	18,401,414
Changes in Net Position	$ 706,158	$ 719,730

F. Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations (General Fund) on Non-Principal Residence Exemption properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

The District's non-principal property taxable value for the 2017-2018 fiscal year was $309,442,661 and the commercial personal property taxable value was $14,190,550 for a total of $323,633,211. The non-principal residence and commercial personal property taxable value increased by 1.07% over the prior year. There were no unpaid personal property taxes at fiscal year end June 30, 2018.

The following table summarizes the District's non homestead taxable value for the past five years:

Fiscal Year	Non-homestead Taxable Value	% Increase from Prior Year
2017-2018	$ 323,633,211	1.07%
2016-2017	320,198,659	3.51%
2015-2016	309,330,966	-6.33%
2014-2015	330,250,518	-7.65%
2013-2014	357,590,546	5.93%

2. *State Sources*

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. For the 2017-2018 fiscal year, the District received $7,631 per student FTE.

3. *Student Enrollment*

The following schedule summarizes the blended student enrollment for the past five fiscal years:

Fiscal Year	Blended Student FTE
2017-2018	1,546
2016-2017	1,560
2015-2016	1,577
2014-2015	1,609
2013-2014	1,619

4. *Operating Grants*

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2018, federal, state, and other grants of this type were $5,182,588.

G. Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2018	2017	Increase (Decrease)
Major Funds			
General Fund	$ 4,579,637	$ 3,955,523	$ 624,114
2016 Tech Bond Capital Projects Fund	1,054,433	1,216,939	(162,506)
2005 QZAB Debt Service Fund	1,107,093	1,022,817	84,276
2010 QSCB Debt Service Fund	329,274	50,732	278,542
Nonmajor Funds			
Food Service	160,266	142,726	17,540
1991 Capital Bond Debt Service Fund	126,408	37,567	88,841
2010 QZAB Debt Service Fund	123,885	134,485	(10,600)
2016 Tech Debt Service Fund	38,845	34,863	3,982
Total Governmental Funds	$ 7,519,841	$ 6,595,652	$ 924,189

In 2017-2018, the General Fund balance increased primarily due to increased one-time revenue from the ISD, the District paid foundation on 3-year blend with the increased per pupil foundation allowance, and less one-time expenditures in 2018 than 2017. There were no major purchases made during the fiscal year.

The 2016 Tech Bond Capital Projects Fund balance decreased as a result of purchasing technology equipment.

The 2005 QZAB Debt Service Fund balance increased primarily due to a transfer in from the General Fund to fulfill the requirement of an annual deposit in escrow according to the "qualified zone academy bonds" ("QZAB") under Section 1397E(d)(6) of the Internal Revenue Service Code.

The Food Service Fund had a slight increase due to serving more meals during the school year.

The 2010 QZAB Debt Service Fund experienced a decrease in fund balance due to the debt service payments exceeding the amount of revenues during the fiscal year.

The 1991 Capital Bond, 2010 QSCB, and 2016 Tech Debt Service Funds increased due to the collection of taxes exceeding the debt payments for the year.

H. General Fund Budgetary Highlights

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

For the 2017-2018 fiscal year, the District amended the general fund budget at various times. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	$ 14,801,780	$ 15,706,320	$15,665,615
EXPENDITURES			
Instruction	$ 9,394,605	$ 9,590,438	$ 9,409,571
Supporting Services	5,506,838	5,512,347	5,356,169
Community Services	88,402	102,275	100,189
Payments to Other Districts	17,000	27,000	26,173
Capital Outlay	20,000	0	0
Debt Service	65,125	65,738	65,638
Total Expenditures	$ 15,091,970	$ 15,297,798	$14,957,740

The revenue budget was amended as it became clearer on the amounts the District would receive for State and Federal Funding, as well as funding from Property Taxes and Local Grants. The expenditures were amended to account for the anticipated spending. The variance between actual and amended revenues was minimal. The variance between actual and amended expenditures was a result of conservative budgeting.

I. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2018, the District has $41,826,370 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents an increase of $317,867 over the prior fiscal year. Depreciation expense for the year amounted to $1,925,123 bringing the accumulated depreciation to $21,372,587 as of June 30, 2018. The District purchased new technology equipment for $257,129, new sporting equipment for $7,744, building improvements for $10,817, and land improvements for $42,177, of which all of it was donated for a baseball field project. The District has also committed to purchasing a new scoreboard in the amount of $145,603 for the 2018-2019 fiscal year.

2. Long-Term Debt

At June 30, 2018, the District had $15,593,154 in bonded debt outstanding. This represents a decrease of $1,337,090 from the amount outstanding at the close of the prior fiscal year. Additionally, at June 30, 2018, the estimated liability for compensated absences and other vested benefits is $3,754 and the estimated net pension and other postemployment benefits liabilities are $21,063,990 and 7,211,355 respectively.

J. Factors Bearing on the District's Future

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

- The current retirement rate is estimated to be 38.39%. Although the District will see some cost containment in this area due to enacted reforms, we are concerned about State Aid funding stability and how the future retirement rates will be calculated with changes in legislation.

- The per pupil Foundation Allowance increased $240 for the 2018-2019 school year, therefore enrollment shifts could drastically effect State Revenues.

- The School District is currently negotiating contracts with the professional staff and support staff bargaining units as the current contracts expire August 31, 2018.

K. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Kalkaska Public Schools, 315 S. Coral, Kalkaska, MI 49646.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES
ASSETS	
CURRENT ASSETS	
Cash	$ 3,092,932
Restricted Cash	1,076,399
Investments	3,169,111
Accounts Receivable	8,874
Due from Other Governmental Units	1,698,024
Inventory	11,358
Total Current Assets	9,056,698
NON CURRENT ASSETS	
Capital Assets	41,826,370
Less Accumulated Depreciation	(21,372,587)
Total Non Current Assets	20,453,783
TOTAL ASSETS	29,510,481
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	4,685,182
Deferred Outflows Related to Other Postemployment Benefits	482,528
Total Deferred Outflows of Resources	5,167,710
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	119,887
Due to Other Governmental Units	268,703
Salaries Payable	762,347
Accrued Expenses	366,833
Unearned Revenue	19,087
Accrued Interest Payable	271,926
Current Portion of Non Current Liabilities	1,346,347
Total Current Liabilities	3,155,130

The notes to the financial statements are an integral part of this statement.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES
NON CURRENT LIABILITIES	
Bonds Payable (Net)	15,533,901
Compensated Absences	3,754
Net Pension Liability	21,063,990
Net Other Postemployment Benefits Liability	7,211,355
Less Current Portion of Non Current Liabilities	(1,346,347)
Total Non Current Liabilities	42,466,653
TOTAL LIABILITIES	45,621,783
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	2,600,613
Deferred Inflows Related to Other Postemployment Benefits	243,916
Total Deferred Inflows of Resources	2,844,529
NET POSITION	
Net Investment in Capital Assets	5,974,315
Restricted for Debt Service	1,453,579
Unrestricted (Deficit)	(21,216,015)
TOTAL NET POSITION (Deficit)	$ (13,788,121)

The notes to the financial statements are an integral part of this statement.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS	PROGRAM REVENUES: CAPITAL GRANTS	GOVERNMENTAL ACTIVITIES: NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
GOVERNMENTAL ACTIVITIES					
Instruction	$ 9,573,352	$ 15,190	$ 2,704,319	$ 0	$ (6,853,843)
Supporting Services	5,252,673	65,722	1,114,505	42,177	(4,030,269)
Community Services	100,385	144,475	6,297	0	50,387
Payments to Other Districts	26,173	0	0	0	(26,173)
Facilities Acquisition, Construction, and Improvements	12,864	0	0	0	(12,864)
Food Service	767,934	141,863	699,561	0	73,490
Interest on Long Term Debt	1,682,252	0	657,906	0	(1,024,346)
Unallocated Depreciation	1,925,123	0	0	0	(1,925,123)
TOTAL GOVERNMENTAL ACTIVITIES	$ 19,340,756	$ 367,250	$ 5,182,588	$ 42,177	(13,748,741)
GENERAL REVENUES					
Property Taxes - General Purposes					5,696,170
Property Taxes - Debt Service					2,655,375
Investment Earnings					62,268
State Sources					5,857,618
Other					183,468
Total General Revenues					14,454,899
Change in Net Position					706,158
NET POSITION - Beginning of Year (Deficit) - As Restated					(14,494,279)
NET POSITION - End of Year (Deficit)					$ (13,788,121)

The notes to the financial statements are an integral part of this statement.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

	GENERAL FUND	2016 TECH BOND CAPITAL PROJECTS FUND	2005 QZAB DEBT SERVICE FUND	2010 QSCB DEBT SERVICE FUND	OTHER NON-MAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash	$ 1,274,945	$ 0	$ 1,107,093	$ 324,639	$ 386,255	$ 3,092,932
Restricted Cash	0	1,076,399	0	0	0	1,076,399
Investments	3,130,815	0	0	0	38,296	3,169,111
Accounts Receivable	8,874	0	0	0	0	8,874
Due from Other Funds	0	0	0	4,635	6,708	11,343
Due from Other Governmental Units	1,684,833	0	0	0	13,191	1,698,024
Inventory	0	0	0	0	11,358	11,358
TOTAL ASSETS	$ 6,099,467	$ 1,076,399	$ 1,107,093	$ 329,274	$ 455,808	$ 9,068,041
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	$ 97,246	$ 21,966	$ 0	$ 0	$ 675	$ 119,887
Due to Other Funds	11,343	0	0	0	0	11,343
Due to Other Governmental Units	268,703	0	0	0	0	268,703
Salaries Payable	762,347	0	0	0	0	762,347
Accrued Expenses	366,833	0	0	0	0	366,833
Unearned Revenue	13,358	0	0	0	5,729	19,087
Total Liabilities	1,519,830	21,966	0	0	6,404	1,548,200
FUND BALANCES						
Nonspendable:						
Inventory	0	0	0	0	11,358	11,358
Restricted for:						
Capital Projects	0	1,054,433	0	0	0	1,054,433
Debt Service	0	0	1,107,093	329,274	289,138	1,725,505
Food Service	0	0	0	0	148,908	148,908
Assigned for:						
Compensated Absences	3,640	0	0	0	0	3,640
Subsequent Year Budget	1,582,921	0	0	0	0	1,582,921
Unassigned	2,993,076	0	0	0	0	2,993,076
Total Fund Balances	4,579,637	1,054,433	1,107,093	329,274	449,404	7,519,841
TOTAL LIABILITIES AND FUND BALANCES	$ 6,099,467	$ 1,076,399	$ 1,107,093	$ 329,274	$ 455,808	$ 9,068,041

The notes to the financial statements are an integral part of this statement.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2018

Total Governmental Fund Balances		$ 7,519,841
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 the capital assets is	$ 41,826,370	
Accumulated depreciation is	(21,372,587)	20,453,783
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(15,593,154)
Compensated Absences		(3,754)
Net Pension Liability		(21,063,990)
Net Other Postemployment Benefits Liability		(7,211,355)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.		(271,926)
Governmental funds expense the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond Discount Net of Amortization		59,253
Deferred outflows and (inflows) of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources - related to pensions		4,685,182
Deferred inflows of resources - related to pensions		(2,600,613)
Deferred outflows of resources - related to other postemployment benefits		482,528
Deferred inflows of resources - related to other postemployment benefits		(243,916)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (13,788,121)

The notes to the financial statements are an integral part of this statement.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	2016 TECH BOND CAPITAL PROJECTS FUND	2005 QZAB DEBT SERVICE FUND
REVENUES			
Local Sources	$ 6,059,886	$ 107,511	$ 515
State Sources	8,626,441	0	0
Federal Sources	590,503	0	0
Other Transactions	388,785	0	0
Total Revenues	15,665,615	107,511	515
EXPENDITURES			
Instruction			
Basic Programs	7,575,887	0	0
Added Needs	1,833,684	0	0
Supporting Services			
Pupil	520,814	0	0
Instructional Staff	139,021	0	0
General Administration	410,910	0	0
School Administration	1,279,328	0	0
Business	253,988	24	0
Operation and Maintenance	1,544,284	0	0
Pupil Transportation Services	582,831	0	0
Central	308,626	0	0
Athletic Activities	316,367	0	0
Community Services			
Community Activities	26,297	0	0
Custody and Care of Children	73,892	0	0
Payments to Other Districts	26,173	0	0
Facilities Acquisition, Construction, and Improvements	0	269,993	0
Food Service	0	0	0
Debt Service			
Principal	55,000	0	0
Interest and Other	10,638	0	0
Total Expenditures	14,957,740	270,017	0
Excess (Deficiency) of Revenues Over Expenditures	707,875	(162,506)	515
OTHER FINANCING SOURCES (USES)			
Transfers In	0	0	83,761
Transfers Out	(83,761)	0	0
Total Other Financing Sources (Uses)	(83,761)	0	83,761
Net Change in Fund Balance	624,114	(162,506)	84,276
FUND BALANCE - Beginning of Year	3,955,523	1,216,939	1,022,817
FUND BALANCE - End of Year	$ 4,579,637	$ 1,054,433	$ 1,107,093

The notes to the financial statements are an integral part of this statement.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	2010 QSCB DEBT SERVICE FUND	OTHER NON-MAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Local Sources	$ 1,409,287	$ 1,390,994	$ 8,968,193
State Sources	0	35,360	8,661,801
Federal Sources	594,655	727,452	1,912,610
Other Transactions	0	0	388,785
Total Revenues	2,003,942	2,153,806	19,931,389
EXPENDITURES			
Instruction			
Basic Programs	0	0	7,575,887
Added Needs	0	0	1,833,684
Supporting Services			
Pupil	0	0	520,814
Instructional Staff	0	0	139,021
General Administration	0	0	410,910
School Administration	0	0	1,279,328
Business	0	0	254,012
Operation and Maintenance	0	0	1,544,284
Pupil Transportation Services	0	0	582,831
Central	0	0	308,626
Athletic Activities	0	0	316,367
Community Services			
Community Activities	0	0	26,297
Custody and Care of Children	0	0	73,892
Payments to Other Districts	0	0	26,173
Facilities Acquisition, Construction, and Improvements	0	0	269,993
Food Service	0	823,904	823,904
Debt Service			
Principal	1,000,000	282,090	1,337,090
Interest and Other	725,400	948,049	1,684,087
Total Expenditures	1,725,400	2,054,043	19,007,200
Excess (Deficiency) of Revenues Over Expenditures	278,542	99,763	924,189
OTHER FINANCING SOURCES (USES)			
Transfers In	0	0	83,761
Transfers Out	0	0	(83,761)
Total Other Financing Sources (Uses)	0	0	0
Net Change in Fund Balance	278,542	99,763	924,189
FUND BALANCE - Beginning of Year	50,732	349,641	6,595,652
FUND BALANCE - End of Year	$ 329,274	$ 449,404	$ 7,519,841

The notes to the financial statements are an integral part of this statement.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances Total Governmental Funds	$ 924,189
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	317,867
Depreciation Expense	(1,925,123)
Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued Interest Payable - Beginning of Year	280,375
Accrued Interest Payable - End of Year	(271,926)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses, and liabilities are reported regardless of when financial resources are available.	
Repayment of Bond Principal	1,337,090
Amortization of Bond Discount	(6,614)
Accumulated Sick Pay and Early Retirement Incentives are reported on the accrual method in the Statement of Activities, and recorded as expenditures when financial resources are used in the governmental funds:	
Compensated Absences - Beginning of Year	8,258
Compensated Absences - End of Year	(3,754)
Early Retirement Payable - Beginning of Year	9,000
Early Retirement Payable - End of Year	0
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Change in Pension Related Items	(71,479)
Change in OPEB Related Items	34,927
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement date.	
Change in State Aid Funding for Pension and Other Postemployment Benefits	73,348
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 706,158

The notes to the financial statements are an integral part of this statement.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2018

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS	TOTAL
ASSETS			
Cash	$ 29,161	$ 263,542	$ 292,703
LIABILITIES			
Due to Groups and Organizations	0	263,023	263,023
Accounts Payable	0	519	519
TOTAL LIABILITIES	0	263,542	263,542
NET POSITION			
Restricted for Scholarships	$ 29,161	$ 0	$ 29,161

The notes to the financial statements are an integral part of this statement.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2018

		PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Earnings on Investments and Deposits	$	125
DEDUCTIONS		
Scholarships Awarded		0
CHANGE IN NET POSITION		125
NET POSITION - Beginning of Year		29,036
NET POSITION - End of Year	$	29,161

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Kalkaska Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District ("the District") is located in Kalkaska County with its administrative offices located in Kalkaska, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,546 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, and athletic activities. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

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

The *2016 Tech Bond Capital Projects Fund* accounts for the acquisition of fixed assets or construction of major capital projects.

The *2005 QZAB Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *2010 QSCB Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Other non-major funds:

The *Special Revenue (School Service) Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

The *1991 Capital Bonds, 2010 QZAB, and 2016 Tech Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following fiduciary funds:

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

The *Private Purpose Trust Funds* are accounted for using the accrual method of accounting. Private purpose funds account for contributions earmarked for scholarships available to qualifying students of the District.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

a) In June, the superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on July 1.

b) A public hearing is conducted during June to obtain taxpayer comments.

c) Prior to June 30, the budget is legally adopted by the Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.

d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.

e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.

g) Budgeted amounts are as originally adopted in June 19, 2017, or as amended by the Board of Education throughout the year.

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

1. Cash and Cash Equivalents

Cash includes amounts in demand deposits.

2. Investments

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the the District to invest as follows:

a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.

b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.

c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The District's deposits and investments are held separately by several of the the District's funds.

3. *Inventory and Prepaid Items*

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. *Capital Assets*

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated acquisition value on the date received.

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

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	20-50 years
Furniture and equipment	3-10 years
Buses and vehicles	5-10 years

The District's capitalization policy is to capitalize individual amounts exceeding $5,000 and aggregate purchases of similar items purchased at the same time, such as computers for a classroom.

5. *Compensated Absences*

It is the District's policy to permit employees to accumulate earned but unused sick pay and vacation time benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

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

7. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenues is recognized. The District has unearned revenue in the General Fund that is related to state and local grants/donations, with restrictions on how they can be spent, being received but as of the year-end have not been spent. The District also has unearned revenue in the Food Service Fund that is related to money received from students for meals in advance.

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the *Statement of Financial Position* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position*. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnote 2.E and 2.F.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnote 2.E and 2.F.

9. *Defined Benefit Plans*

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

10. Net Position Flow Assumption

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

11. Fund Balance Flow Assumption

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

12. Fund Balance Policies

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

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

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

13. Restricted Assets

Certain cash resources are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

14. Use of Estimates

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

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2018, the foundation allowance was based on pupil membership counts taken in February of 2017 and October of 2017. For fiscal year ended June 30, 2018, the per pupil foundation allowance was $7,631 for Kalkaska Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2017 to August 2018. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed and due December 1. Unpaid taxes become delinquent as of February 14 and are subject to penalties and interest after that date.

For the year ended June 30, 2018, the District levied the following amounts per $1,000 of taxable valuation:

Fund	Mills
General Fund – Non-Homestead	18.0000
General Fund – Non-Homestead Commercial Personal Property	6.0000
1991 Capital Bonds Debt Service Fund – Homestead and Non-Homestead	1.74
2010 QSCB Debt Service Fund – Homestead and Non-Homestead	2.28
2010 QZAB Debt Service Fund – Homestead and Non-Homestead	0.01
2016 Tech Debt Service Fund – Homestead and Non-Homestead	0.27

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2018, the District's bank balance was $4,915,291 and $3,312,789 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits. The majority of the uninsured funds are in the General Fund ($1,177,449), 2005 QZAB Debt Service Fund ($857,093), and 2016 Tech Bond Capital Projects Fund ($826,399).

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

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

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk –investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

As of June 30, 2018, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF + MAX Class	$ 2,521,721	0.0027	AAAm	79.57%
MILAF + Cash management Class	647,390	0.0027	AAAm	20.43%
	$ 3,169,111			100.00%
Portfolio Weighted Average Maturity		0.0027		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of "qualified" investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2018, the fair value of the District's investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

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

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The carrying amount of deposits and investments is as follows:

	Total
Deposits – including Fiduciary Funds of $292,703	$ 4,462,034
Investments	3,169,111
	$ 7,631,145

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

	Total
Cash - Fiduciary Funds	$ 292,703
Cash - District-Wide	3,092,932
Restricted Cash - District Wide	1,076,399
Investments	3,169,111
	$ 7,631,145

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor are as follows:

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	$ 8,874	$ 0	$ 8,874
Due from Other Governmental Units	1,684,833	13,191	1,698,024
Total Receivables	$ 1,693,707	$ 13,191	$ 1,706,898

Amounts due from other governmental units include amounts due from federal, state, and local sources for various projects and programs.

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, The District reported unearned revenue of $19,087, which is made up of grant receipts and other revenue that has been received, but not yet earned.

C. Capital Assets

Capital assets activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated - Land	$ 1,356,500	$ 0	$ 0	$ 1,356,500
Capital assets being depreciated				
Land Improvements	135,130	42,177	0	177,307
Buildings and additions	35,923,049	10,817	0	35,933,866
Furniture, equipment, and textbooks	3,328,087	264,873	0	3,592,960
Transportation equipment	791,719	0	25,982	765,737
Subtotal	40,177,985	317,867	25,982	40,469,870
Less accumulated depreciation for:				
Land Improvements	510	6,757	0	7,267
Buildings and additions	16,504,328	1,645,350	0	18,149,678
Furniture, equipment, and textbooks	2,391,435	234,756	0	2,626,191
Transportation equipment	577,173	38,260	25,982	589,451
Accumulated depreciation	19,473,446	1,925,123	25,982	21,372,587
Net capital assets being depreciated	20,704,539	(1,607,256)	0	19,097,283
Net capital assets	$ 22,061,039	$ (1,607,256)	$ 0	$ 20,453,783

Depreciation for the fiscal year ended June 30, 2018, amounted to $1,925,123. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Defined Benefit Plan and Postemployment Benefits

Plan Description – The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://Michigan.gov/mpsers-cafr.

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

Benefit Provisions- Overall

Introduction

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

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.

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

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service their after would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 accounts. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and the Defined Contribution Plan that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) – Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

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

Benefits Provided – Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Members Contributions

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

Employers Contributions

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other post-employment benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 22 year period for fiscal 2017.

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

	Pension	**Other Postemployment Benefit**
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $2,057,762.

The District's OPEB contributions for the year ended June 30, 2018 were approximately $503,211.

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

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

Pension Liabilities

At June 30, 2018, the District reported a liability of $21,063,990 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was .08128342% and .0846019%.

MPSERS (Plan) Non-University Net Pension Liability – As of September 30, 2017 and September 30, 2016

	September 30, 2017	**September 30, 2016**
Total Pension Liability	$ 72,407,218,688	$ 67,917,445,078
Plan Fiduciary Net Position	46,492,967,573	42,968,263,308
Net Pension Liability	$ 25,914,251,115	$ 24,949,181,770
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.21%	63.27%
Net Pension Liability as a Percentage of Covered Payroll	309.13%	295.81.%

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

For the year ended June 30, 2018, the District recognized total pension expense of $1,309,484. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 183,060	$ 103,357
Changes of assumptions	2,307,727	0
Net difference between projected and actual earnings on pension plan investments	0	1,006,997
Changes in proportion and differences between District contributions and proportionate share of contributions	254,029	670,502
District section 147c revenue related to pension contributions subsequent to the measurement date	0	819,757
District contributions subsequent to the measurement date	1,940,366	0
Total	$ 4,685,182	$ 2,600,613

$1,940,366 reported as deferred outflows of resources and $819,757 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2018	$ 327,856
2019	640,355
2020	131,460
2021	(135,711)
	$ 963,960

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

OPEB Liabilities

At June 30, 2018, the District reported a liability of $7,211,355 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.0814339%.

MPSERS (Plan) Non-University Employers Net OPEB Liability – As of September 30, 2017 and September 30, 2016

	September 30, 2017	September 30, 2016
Total OPEB Liability	$ 13,920,945,991	$ 14,071,279,615
Plan Fiduciary Net Position	5,065,474,948	4,730,719,539
Net OPEB Liability	$ 8,855,471,043	$ 9,340,560,076
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	36.39%	33.62%
Net OPEB Liability as a Percentage of Covered Payroll	105.64%	Unknown

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

For the year ended June 30, 2018, the District recognized total OPEB expense of $468,284.

At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 76,780
Changes of assumptions	0	0
Net difference between projected and actual earnings on OPEB plan investments	0	167,017
Changes in proportion and differences between District contributions and proportionate share of contributions	0	119
District contributions subsequent to the measurement date	482,528	0
Total	$ 482,528	$ 243,916

$482,528 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Amount
2018	$ (58,941)
2019	(58,941)
2020	(58,941)
2021	(58,941)
2022	(8,152)
	$ (243,916)

G. Actuarial Valuations and Assumptions of the Pension Plan

Investment rate of return for Pension – 7.5% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Investment rate of return for OPEB – 7.5% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation – 3.0%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit – 7.5% for year one and graded to 3.5% to year twelve.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

Opt Out Assumption – 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

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

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic Equity Pools	28.00%	5.60%
Alternative Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	-0.10%
Real Estate & Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short-Term Investment Pools	2.00%	-0.90%
	100%	

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

Pension Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus Plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate

The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.5 percent (7.0% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid) 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 8.5% / 8.0%
$ 27,439,372	$ 21,063,990	$ 15,696,323

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

The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease 6.5%	Current Single Discount Rate Assumption 7.5%	1% Increase 8.5%
$ 8,446,581	$ 7,211,355	$ 6,163,035

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease (6.5% decreasing to 2.5%	Current Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
$ 6,107,049	$ 7,211,355	$ 8,465,219

H. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2017 Comprehensive Annual Financial Report.

I. Payables to the Pension and OPEB Plan

As of June 30, 2018, the District is current on all required pension and other postemployment benefit plan payments. As of June 30, 2018, the District reported payables in the amount of $344,508 to the pension and OPEB plans. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

J. Risk Management

Kalkaska Public Schools are exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation).

The District participates in a distinct pool of educational institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, and workers' disability compensation. The pool is considered a public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

K. Long-Term Liabilities

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The following is a summary of the governmental long-term liability transactions for the District for the year ended June 30, 2018:

	COMPENSATED ABSENCES	BONDS	EARLY RETIREMENT INCENTIVE	NET PENSION LIABILITY	NET OPEB LIABILITY	TOTAL
Balance July 1, 2017	$ 8,258	$ 16,930,244	$ 9,000	$ 21,107,482	$ 7,606,382	$ 45,661,366
Additions	3,930	0	0	1,863,036	238,970	2,105,936
Deletions	(8,434)	(1,337,090)	(9,000)	(1,906,528)	(633,997)	(3,895,049)
Balance June 30, 2018	3,754	15,593,154	0	21,063,990	7,211,355	43,872,253
Less current portion	0	(1,346,347)	0	0	0	(1,346,347)
Total due after one year	$ 3,754	$ 14,246,807	$ 0	$ 21,063,990	$ 7,211,355	$ 42,525,906

The District's debt obligations at June 30, 2018, are comprised of the following issues:

Bonds	
1991 Capital Bonds due in annual installments of $118,364 to $136,347 through May 2021, with an interest rate of 7.20%	$ 381,748
2005 Qualified Zone Academy Bond ("QZAB"), due May 2020; no annual installments; 0% interest rate	1,256,406
2010 Qualified School Construction Bonds ("QSCB"), due in annual installments of $1,000,000 to $1,350,000 through May 2027 with interest rates of 5.40% to 6.40%	11,000,000
2010 Qualified Zone Academy ("QZAB"), due in principal installments of $200,000 to $225,000 beginning May 2022 through May 2027 then $400,000 with interest from 5.40% to 6.40%	1,275,000
2012 School Improvement Bonds, due in annual installments of $55,000 to $145,000 through May 2022, with an interest of 2.25%	400,000
2016 Tech Bond, due in annual installments of $155,000 to $685,000 beginning May 2017 through May 2022, with interest of 2.0%	1,280,000
Total Bonds Payable	15,593,154
Sick Pay & Retirement Incentive and Net Pension Liability	
Compensated Absences of Employee Vested Sick Pay	3,754
Net Pension Liability	21,063,990
Net OPEB Liability	7,211,355
Total Long-Term Debt	$ 43,872,253

The annual requirements to amortize all long-term liability outstanding as of June 30, 2018, including interest payments of $6,822,653 are as follows:

YEAR ENDING JUNE 30,	BONDS PAYABLE PRINCIPAL	BONDS PAYABLE INTEREST	TOTAL
2019	$ 1,346,347	$ 1,631,553	$ 2,977,900
2020	1,382,037	1,582,526	2,964,563
2021	2,759,770	1,531,961	4,291,731
2022	2,380,000	601,263	2,981,263
2023	1,550,000	489,750	2,039,750
2024-2027	6,175,000	985,600	7,160,600
	$ 15,593,154	$ 6,822,653	$ 22,415,807

The annual requirements to amortize compensated absences, net pension liability, and net other postemployment benefit liability are uncertain because it is unknown when they will be used.

Compensated absences, net pension liability, and other postemployment benefits will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

L. Interfund Receivables and Payables

FUND	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	$ 0	$ 11,343
Food Service Fund	2,601	0
1991 Capital Bonds Debt Service Fund	3,538	0
2010 QSCB Debt Service Fund	4,635	0
2010 QZAB Debt Service Fund	20	0
2016 Tech Debt Service Fund	549	0
	$ 11,343	$ 11,343

The outstanding balances between funds result mainly from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All Interfund balances outstanding at June 30, 2018, are expected to be repaid within one year.

M. Interfund Transfers

FUND	TRANSFERS IN	TRANSFERS OUT
General Fund	$ 0	$ 83,761
2005 QZAB Debt Service Fund	83,761	0
	$ 83,761	$ 83,761

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

N. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

Commitments – The District has entered into an agreement to purchase a new scoreboard from Daktronics, Inc in the amount of $145,603.

The District has also entered into an agreement to rekey all of the interior doors in the amount of $42,904.

2. Subsequent Event

Subsequent to year-end, the District authorized the purchase of technology equipment in the amount of $130,187. In addition, the District authorized the purchase of a new bus in the amount of $81,260.

No adjustments were made to the financial statements for the year ended June 30, 2018, related to these subsequent events.

3. Single Audit

Current federal guidelines require entities with federal expenditures exceeding $750,000 to have a "single audit" of federally funded programs. This audit is being performed and the reports based thereon will be issued under a separate cover.

O. Capital Projects Fund

The 2016 Tech Bonds Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

NOTE 3 - OTHER INFORMATION

A. GASB Statement No. 77 – Tax Abatement Disclosures

It has been determined that the District has granted tax abatements as defined by GASB Statement No. 77. However, the total of these abatements is less than $6,000 and it has been determined they are not significant enough to warrant disclosure.

B. New Accounting Standards

The District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Summary:

GASB Statement No. 75 requires governments that participate in defined benefit other postemployment benefit (OPEB) plans to report in the statements of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of the beginning of the year net position is as follows:

Net Position - Governmental Activities - As Previously Reported, June 30, 2017	$ (7,244,399)
Adoption of GASB Statement 75:	
Net Other Postemployment Benefit Liability	(7,606,382)
Deferred outflows related to Other Postemployment Benefits	598,712
Deferred inflows related to Other Postemployment Benefits	(242,210)
Net Position - Governmental Activities - Restated as of June 30, 2017	$ (14,494,279)

C. Upcoming Accounting Pronouncements

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

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

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

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
MAJOR FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Local Sources	$ 5,941,406	$ 6,030,377	$ 6,059,886
State Sources	7,648,937	8,663,608	8,626,441
Federal Sources	547,845	633,338	590,503
Other Transactions	663,592	378,997	388,785
Total Revenues	14,801,780	15,706,320	15,665,615
EXPENDITURES			
Instruction			
Basic Programs	7,691,860	7,700,496	7,575,887
Added Needs	1,702,745	1,889,942	1,833,684
Supporting Services			
Pupil	486,188	541,401	520,814
Instructional Staff	37,872	142,896	139,021
General Administration	399,797	418,388	410,910
School Administration	1,357,559	1,282,941	1,279,328
Business	294,502	266,062	253,988
Operation and Maintenance	1,503,823	1,562,454	1,544,284
Pupil Transportation Services	699,296	611,450	582,831
Central	361,726	350,601	308,626
Athletic Activities	366,075	336,154	316,367
Community Services			
Community Activities	26,000	28,076	26,297
Custody and Care of Children	62,402	74,199	73,892
Payments to Other Districts	17,000	27,000	26,173
Capital Outlay	20,000	0	0
Debt Service			
Principal	54,425	55,038	55,000
Interest and Other	10,700	10,700	10,638
Total Expenditures	15,091,970	15,297,798	14,957,740
Excess (Deficiency) of Revenues Over Expenditures	(290,190)	408,522	707,875
OTHER FINANCING SOURCES (USES)			
Transfer (Out)	(83,761)	(91,431)	(83,761)
Net Change in Fund Balance	(373,951)	317,091	624,114
FUND BALANCE - Beginning of Year	3,955,523	3,955,523	3,955,523
FUND BALANCE - End of Year	$ 3,581,572	$ 4,272,614	$ 4,579,637

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2018

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)							0.08128342%	0.08460190%	0.08488959%	0.08195%
District's proportionate share of net pension liability							$ 21,063,990	$ 21,107,482	$ 20,734,305	$ 18,050,010
District's covered payroll							6,663,250	7,138,312	7,227,149	6,998,917
District's proportionate share of net pension liability as a percentage of its covered payroll							316.12%	295.69%	286.89%	257.90%
Plan fiduciary net position as a percentage of total pension liability							64.21%	63.27%	63.17%	66.20%

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2018

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions							$ 2,057,762	$ 1,911,433	$ 2,036,728	$ 1,932,651
Contributions in relation to statutorily required contributions *							2,057,762	1,911,433	2,036,728	1,932,651
Contribution deficiency (excess)							$ 0	$ 0	$ 0	$ 0
Covered Payroll							$ 6,923,094	$ 6,700,137	$ 7,476,742	$ 8,457,252
Contributions as a percentage of covered payroll							29.72%	28.53%	27.24%	22.85%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2018

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)										0.08143390%
District's proportionate share of net OPEB liability										$ 7,211,355
District's covered payroll										6,663,250
District's proportionate share of net OPEB liability as a percentage of its covered payroll										108.23%
Plan fiduciary net position as a percentage of total OPEB liability										36.39%

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2018

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions										$ 503,211
Contributions in relation to statutorily required contributions *										503,211
Contribution deficiency (excess)										$ 0
Covered payroll										$ 6,923,094
Contributions as a percentage of covered payroll										7.27%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2018

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2017.

B. Changes of Assumptions:

There were no changes of benefit assumptions for the plan year ended September 30, 2017.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2018

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE	1991 CAPITAL BONDS	2010 QZAB	2016 TECH	
ASSETS					
Cash	$ 139,520	$ 122,870	$ 123,865	$ 0	$ 386,255
Investments	0	0	0	38,296	38,296
Due from Other Funds	2,601	3,538	20	549	6,708
Due from Other Governments	13,191	0	0	0	13,191
Inventory	11,358	0	0	0	11,358
TOTAL ASSETS	$ 166,670	$ 126,408	$ 123,885	$ 38,845	$ 455,808
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 675	$ 0	$ 0	$ 0	675
Unearned Revenue	5,729	0	0	0	5,729
Total Liabilities	6,404	0	0	0	6,404
FUND BALANCES					
Nonspendable					
Inventory	11,358	0	0	0	11,358
Restricted					
Food Service	148,908	0	0	0	148,908
Debt Service	0	126,408	123,885	38,845	289,138
Total Fund Balances	160,266	126,408	123,885	38,845	449,404
TOTAL LIABILITIES AND FUND BALANCES	$ 166,670	$ 126,408	$ 123,885	$ 38,845	$ 455,808

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE	1991 CAPITAL BONDS	2010 QZAB	2016 TECH	
REVENUES					
Local Sources	$ 141,883	$ 1,074,780	$ 6,549	$ 167,782	$ 1,390,994
State Sources	35,360	0	0	0	35,360
Federal Sources	664,201	0	63,251	0	727,452
Total Revenues	841,444	1,074,780	69,800	167,782	2,153,806
EXPENDITURES					
Food Services	823,904	0	0	0	823,904
Debt Service					
Principal	0	147,090	0	135,000	282,090
Interest and Fiscal Charges	0	838,849	80,400	28,800	948,049
Total Expenditures	823,904	985,939	80,400	163,800	2,054,043
Excess (Deficiency) of Revenues Over Expenditures	17,540	88,841	(10,600)	3,982	99,763
FUND BALANCE - Beginning of Year	142,726	37,567	134,485	34,863	349,641
FUND BALANCE - End of Year	$ 160,266	$ 126,408	$ 123,885	$ 38,845	$ 449,404