Kelloggsville Public Schools

Rocket Pride

Kent County, Michigan

Annual Financial Report

For the year ended June 30, 2018

Hungerford Nichols CPAs + Advisors
Where good ideas add up

KELLOGGSVILLE PUBLIC SCHOOLS
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Year ended June 30, 2018

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FINANCIAL SECTION

Hungerford Nichols CPAs + Advisors
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INDEPENDENT AUDITOR'S REPORT

September 16, 2018

The Board of Education
Kelloggsville Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kelloggsville Public Schools (the "District") 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.

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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 Kelloggsville Public Schools as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Emphasis of Matter

Change in Accounting Principle

As discussed in Note H to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2018 on our consideration of Kelloggsville Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kelloggsville 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 Kelloggsville Public Schools' internal control over financial reporting and compliance.

Hungerford Nichols

Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Kelloggsville Public Schools (“the District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

Overview of the Financial Statements

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

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

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

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

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

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

District-wide Statements

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

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

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

- To assess the District’s overall health, one should consider additional non-financial factors such as changes in the District’s property tax-base and the condition of school buildings and other facilities.

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

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

New Accounting Pronouncements Implemented

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ended June 30, 2018. This Statement establish standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. These changes resulted in a reduction of $11,710,310 in district-wide net position as of July 1, 2017, (to record the beginning net OPEB liability of $12,391,129 less the OPEB contributions made after the measurement date of $680,819) and now include the *net OPEB liability* of the District of $12,268,190 at June 30, 2018.

Condensed District-wide Financial Information

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

	2018	2017
Assets		
Current assets	$ 10,585,949	$ 16,987,924
Net capital assets	53,894,518	46,972,528
Total Assets	**64,480,467**	**63,960,452**
Deferred Outflows of Resources	**9,707,526**	**4,896,983**
Liabilities		
Current liabilities	2,886,835	2,652,548
Long-term liabilities	32,376,786	33,681,157
Net pension liability	35,947,472	33,120,251
Net OPEB liability	12,268,190	-
Total Liabilities	**83,479,283**	**69,453,956**
Deferred Inflows of Resources	**2,499,401**	**364,767**
Net Position		
Net investment in capital assets	23,801,666	24,315,843
Restricted	632,975	178,396
Unrestricted (deficit)	(36,225,332)	(25,455,527)
Total Net Position	**$ (11,790,691)**	**$ (961,288)**

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

	2018	2017
Program Revenues		
Charges for services	$ 439,286	$ 671,746
Operating grants	9,774,652	8,212,501
General Revenues		
Property taxes	5,809,865	5,656,791
State school aid, unrestricted	14,190,903	13,508,775
Interest and investment earnings	48,745	220,313
Other	440,179	175,800
Total Revenues	30,703,630	28,445,926
Expenses		
Instruction	16,027,567	14,528,023
Supporting services	10,418,533	9,167,223
Community services	298,484	266,228
Food service	1,693,449	1,593,072
Other	30,311	18,644
Interest on long-term debt	1,349,861	1,395,492
Depreciation – unallocated	4,517	4,066
Total Expenses	29,822,722	26,972,748
Increase in net assets	880,908	1,473,178
Net Position, Beginning of Year, as Restated (Note L)	(12,671,599)	(2,434,466)
Net Position, End of Year	$ (11,790,691)	$ (961,288)

Financial Analysis of the District as a Whole

Total revenues exceeded expenses by $880,908, increasing total net position from a deficit of $12,691,599 to a deficit of $11,790,691. Unrestricted net assets decreased by $10,769,805 to a deficit of $36,225,332 at June 30, 2018. This large decrease is mainly due to the restatement of net position at July 1, 2017 due to the new accounting pronouncement, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The District's net pension liability, including deferred outflows and inflows of resources, increased by $616,311 during the fiscal year. In addition, the District's net OPEB liability, including outflows and inflows of resources, increased by $91,273 during the fiscal year.

Property taxes and state aid accounted for most of the District's revenue, contributing about 65 cents of every dollar raised. Another 32 percent came from state and federal aid for specific programs and the remainder from fees charged for services and miscellaneous sources.

The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (72 percent).

- Total revenues surpassed expenses, increasing net position $880,908 from the prior year.
- The cost of all governmental activities this year was $29,822,722.
- Some of the costs were financed by the users of the District's programs totaling $439,286.
- Federal and state governments subsidized certain programs with grants and contributions of $9,774,652.
- The balance of the District's costs were financed by District taxpayers, state school aid, interest earnings and other revenue, totaling $20,489,692.
- These general revenues consisted of $5,809,865 of property taxes, $14,190,903 of unrestricted state aid based on the state-wide education aid formula, investment earnings of $48,745, and other revenues of $440,179.

Fund Financial Statements

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

The District utilizes two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship Funds and Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Kelloggsville Public School's funds are described as follows:

Major Funds

General Fund
The General Fund is our primary operating fund. The General Fund had total revenues of $26,090,969, total financing sources of $65,000, total expenditures of $24,395,330, and total other financing uses of $197,663. It ended the fiscal year with a fund balance of $5,442,999, up from $3,880,023 at June 30, 2017.

Capital Projects Fund
The 2015 Construction Capital Projects Fund accounts for bond proceeds and voter approved capital improvement projects. The fund had total revenues of $43,635, with total expenditures of $8,697,452 for the fiscal year. The fund balance at year end was $1,623,140.

Nonmajor Funds

Special Revenue Funds
The District operates two Special Revenue Funds, for the food service and child care programs. Total revenue of all special revenue funds was $1,952,339, and total expenditures of $1,736,197. Of the ending fund balances, $347,066 is attributable to the Food Service Fund, and $20,521 is attributable to the Child Care Fund.

Debt Service Funds
The District operates two Debt Service Funds. Total revenues were $2,571,566, and total expenditures were $2,473,070. Transfers from other District funds totaled $197,663. The ending fund balances totaled $484,022.

Fiduciary Funds
The Student Activity Fund and the Scholarship Fund are operated as Fiduciary Funds of the District. The assets of these funds are being held for the benefit of the District's students. Balances on hand at June 30, 2018 totaled $272,792. The Student Activities portion was $201,723 and the Scholarship Funds portion was $71,069.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget three times to comply with Michigan Department of Education guidelines. These budget amendments fall into two categories:

- Changes made in January to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year.
- Changes in May and final changes in June for increases in appropriations to prevent budget overruns.
- Actual revenues were $21,606 under budget than expected which is a result of not expending all of our grant funds.
- Final expenditures were $1,031,683 lower than anticipated due to the increase in expected payables and not expending all of our grant funds.

Capital Asset and Debt Administration

Capital Assets
At June 30, 2018, the District had a $68,698,516 investment in a broad range of capital assets, including school buildings, athletic facilities, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.)

Capital asset purchases totaled $7,581,508 in the fiscal year. Net accumulated depreciation increased $523,451. The net book value of capital assets at June 30, 2018 is detailed as follows:

Land	$ 11,767,057
Land improvements	1,787,533
Buildings and additions	38,976,632
Vehicles	787,891
Furniture and equipment	575,405
Net Capital Assets	$ 53,894,518

Long-term Debt
At year end, the District had $32,376,786 in general obligation bonds and other long-term debt outstanding – a net decrease of $1,304,371 from last year. The District continued to pay down its debt, retiring $1.4 million of outstanding bonds.

The District's bond rating for General Obligation, Unlimited Tax debt was upgraded to an "A" Standard and Poor's rating. The District's other obligations include compensated absences. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

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

- The uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan. The impact of the State's economic problems is demonstrated by the number of families below the poverty level and an increasing percentage of Kelloggsville students who qualify for free and reduced-cost school lunches. Analysts are predicting a slow recovery to the situation. Furthermore, the economic difficulties are resulting in jobs leaving the State which ultimately leads to families moving and a loss of students for the District.

- Since the School District's revenue is heavily dependent on State funding, and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue estimating conference to estimate revenues.

- With lack of stability in the funding stream from the State, and rising costs in many areas including employee health insurance, retirement contribution costs, and utilities, District Administration continues to be diligent in maintaining a reasonable level of reserves (fund balance). Measures to accomplish this include, but are not limited to: cooperative agreements with Kent Intermediate School District as well as neighboring public and parochial schools, and application for and use of grant funding for programs to improve the education of our students.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Kelloggsville Public Schools, 242 – 52nd Street, Kentwood, Michigan, 49508.

BASIC FINANCIAL STATEMENTS

KELLOGGSVILLE PUBLIC SCHOOLS
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash	$ 300
Cash equivalents, deposits and investments (Note B)	6,766,407
Accounts receivable	55,664
Due from other governmental units (Note C)	3,750,039
Inventory	8,496
Prepaid expenses	5,043
Capital assets not being depreciated (Note E)	11,767,057
Capital assets being depreciated, net (Note E)	42,127,461
Total Assets	64,480,467
Deferred Outflows of Resources	
Loss on advance bond refundings, net	4,822
Deferred pension amounts	8,821,344
Deferred OPEB amounts	881,360
Total Deferred Outflows of Resources	9,707,526
Liabilities	
Accounts payable	175,966
Due to other governmental units	1,061,227
Accrued interest payable	218,634
Salaries payable	1,424,960
Unearned revenue	6,048
Long-term liabilities (Note G):	
Due within one year	1,448,401
Due in more than one year	30,928,385
Net pension liability	35,947,472
Net OPEB liability	12,268,190
Total Liabilities	83,479,283
Deferred Inflows of Resources	
Deferred pension amounts	2,084,647
Deferred OPEB amounts	414,754
Total Deferred Inflows of Resources	2,499,401
Net Position	
Net investment in capital assets	23,801,666
Restricted for:	
Debt service	265,388
Child care	20,521
Food service	347,066
Unrestricted (deficit)	(36,225,332)
Total Net Position	$(11,790,691)

See accompanying notes to basic financial statement.

KELLOGGSVILLE PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Instruction	$ 16,027,567	$ 14,846	$ 7,777,482	$ (8,235,239)
Supporting services	10,418,533	54,353	415,154	(9,949,026)
Community services	298,484	97,209	26,727	(174,548)
Food service	1,693,449	272,878	1,555,289	134,718
Other	30,311	-	-	(30,311)
Interest on long-term debt	1,349,861	-	-	(1,349,861)
Depreciation - unallocated*	4,517	-	-	(4,517)
Total Governmental Activities	$ 29,822,722	$ 439,286	$ 9,774,652	(19,608,784)
General Revenues				
Taxes:				
Property taxes, levied for general operations				3,239,250
Property taxes, levied for debt service				2,570,615
State school aid, unrestricted				14,190,903
Interest and investment earnings				48,745
Other				440,179
Total General Revenues				20,489,692
Change in Net Position				880,908
Net Position - Beginning of Year, as Restated (Note L)				(12,671,599)
Net Position - End of Year				$ (11,790,691)

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

See accompanying notes to basic financial statement.

KELLOGGSVILLE PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2018

	General	2015 Construction	Nonmajor	Total
Assets				
Cash	$ 300	$ -	$ -	$ 300
Cash equivalents, deposits and investments (Note B)	4,313,007	1,623,140	830,260	6,766,407
Accounts receivable	55,664	-	-	55,664
Due from other governmental units (Note C)	3,737,186	-	12,853	3,750,039
Inventory	-	-	8,496	8,496
Prepaid expenditures	5,043	-	-	5,043
Total Assets	$ 8,111,200	$ 1,623,140	$ 851,609	$10,585,949
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 175,966	$ -	$ -	$ 175,966
Due to other governmental units	1,061,227	-	-	1,061,227
Salaries payable	1,424,960	-	-	1,424,960
Unearned revenue	6,048	-	-	6,048
Total Liabilities	2,668,201	-	-	2,668,201
Fund Balances (Note A)				
Nonspendable	5,043	-	8,496	13,539
Restricted	-	1,623,140	840,132	2,463,272
Assigned for subsequent year expenditures	-	-	2,981	2,981
Unassigned	5,437,956	-	-	5,437,956
Total Fund Balances	5,442,999	1,623,140	851,609	7,917,748
Total Liabilities and Fund Balances	$ 8,111,200	$ 1,623,140	$ 851,609	$10,585,949

See accompanying notes to basic financial statement.

KELLOGGSVILLE PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities
June 30, 2018

Total governmental fund balances		$ 7,917,748
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $68,698,516 and accumulated depreciation is $14,803,998.		53,894,518
Bond refunding losses are not expensed but are amortized over the life of the new bond issue.		4,822
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	$(30,405,000)	
Installment purchase agreement	(112,861)	
Bond premium	(1,202,953)	
Severance pay	(166,424)	
Accumulated sick leave	(489,548)	(32,376,786)
Accrued interest is not included as a liability in governmental funds.		(218,634)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(35,947,472)	
Deferred outflows	8,821,344	
Deferred inflows	(2,084,647)	(29,210,775)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(12,268,190)	
Deferred outflows	881,360	
Deferred inflows	(414,754)	(11,801,584)
Total net position - governmental activities		$(11,790,691)

See accompanying notes to basic financial statement.

KELLOGGSVILLE PUBLIC SCHOOLS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2018

	General	2015 Construction	Nonmajor	Total
Revenues				
Local sources	$ 3,707,430	$ 43,635	$ 2,941,889	$ 6,692,954
State sources	18,555,813	-	77,242	18,633,055
Federal sources	1,557,856	-	1,504,774	3,062,630
Interdistrict sources	2,269,870	-	-	2,269,870
Total Revenues	26,090,969	43,635	4,523,905	30,658,509
Expenditures				
Current:				
Instruction	15,291,240	-	-	15,291,240
Supporting services	8,900,523	166,600	-	9,067,123
Community services	139,762	-	128,108	267,870
Food service	-	-	1,608,089	1,608,089
Capital outlay	-	8,530,852	-	8,530,852
Interdistrict	5,599	-	-	5,599
Debt service:				
Principal repayment	54,704	-	1,120,000	1,174,704
Interest and fiscal charges	3,502	-	1,353,070	1,356,572
Total Expenditures	24,395,330	8,697,452	4,209,267	37,302,049
Excess (Deficiency) of Revenues Over Expenditures	1,695,639	(8,653,817)	314,638	(6,643,540)
Other Financing Sources (Uses)				
Other	-	-	567	567
Transfers in	65,000	-	197,663	262,663
Transfers out	(197,663)	-	(65,000)	(262,663)
Total Other Financing Sources (Uses)	(132,663)	-	133,230	567
Net Change in Fund Balances	1,562,976	(8,653,817)	447,868	(6,642,973)
Fund Balances, Beginning of Year	3,880,023	10,276,957	403,741	14,560,721
Fund Balances, End of Year	$ 5,442,999	$ 1,623,140	$ 851,609	$ 7,917,748

See accompanying notes to basic financial statement.

KELLOGGSVILLE PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2018

Net change in fund balances - total governmental funds		$ (6,642,973)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which exceeded capital depreciation outlays in the current period.		
Capital outlays	$ 7,581,508	
Depreciation expense	(630,814)	6,950,694
In the Statement of Activities, only the loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold/retired.		(28,704)
Bond premium is amortized over the life of the new bond issue on the Statement of Activities.		44,554
Losses on advanced bond refundings are amortized over the life of the new bond issue in the Statement of Activities.		(1,607)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not effect the Statement of Activities:		
Repayment of bonds	1,120,000	
Repayment of installment purchase agreement	54,703	1,174,703
Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid.		6,711
In the Statement of Net Position, severance pay and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid ($181,438) exceeded the amounts earned ($96,324).		85,114
The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.		(616,311)
The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.		(91,273)
Total changes in net position - governmental activities		$ 880,908

See accompanying notes to basic financial statement.

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2018

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 3,343,840	$ 3,701,193	$ 3,707,430	$ 6,237
State sources	17,154,775	18,488,742	18,555,813	67,071
Federal sources	1,321,166	1,624,728	1,557,856	(66,872)
Interdistrict sources	2,115,686	2,297,912	2,269,870	(28,042)
Total Revenues	23,935,467	26,112,575	26,090,969	(21,606)
Expenditures				
Current:				
Instruction:				
Basic programs	11,548,504	12,027,102	11,745,629	281,473
Added needs	3,571,293	3,675,783	3,545,611	130,172
Supporting services:				
Pupil services	1,122,379	1,240,438	1,196,851	43,587
Instructional staff services	692,340	746,208	669,201	77,007
General administrative services	408,949	487,346	465,126	22,220
School administrative services	1,643,045	1,685,407	1,672,114	13,293
Business services	572,363	641,783	595,260	46,523
Operation and maintenance services	1,921,344	2,234,046	2,065,419	168,627
Pupil transportation services	995,352	1,325,892	1,117,618	208,274
Central services	484,699	439,751	440,141	(390)
Other support services	606,833	725,741	678,793	46,948
Community services	118,163	137,310	139,762	(2,452)
Interdistrict	-	2,000	5,599	(3,599)
Debt service:				
Principal repayment	-	54,704	54,704	-
Interest and fiscal charges	-	3,502	3,502	-
Total Expenditures	23,685,264	25,427,013	24,395,330	1,031,683
Excess (Deficiency) Of Revenues Over Expenditures	250,203	685,562	1,695,639	1,010,077
Other Financing Sources (Uses)				
Transfers in	-	65,000	65,000	-
Transfers out	(250,203)	(197,663)	(197,663)	-
Total Other Financing Sources (Uses)	(250,203)	(132,663)	(132,663)	-
Net Change in Fund Balances	-	552,899	1,562,976	1,010,077
Fund Balances, Beginning of Year	3,880,023	3,880,023	3,880,023	-
Fund Balances, End of Year	$ 3,880,023	$ 4,432,922	$ 5,442,999	$ 1,010,077

See accompanying notes to basic financial statement.

KELLOGGSVILLE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash equivalents, deposits and investments (Note B)	$ 71,069	$ 201,723
Liabilities		
Due to student groups	-	$ 201,723
Net Assets		
Held in trust for:		
Individuals and organizations	$ 71,069	

See accompanying notes to basic financial statement.

KELLOGGSVILLE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2018

	Private Purpose Trust Fund
Additions	
Interest earnings	$ 77
Donations	4,779
Total Additions	4,856
Deductions	
Endowment activities - scholarships	15,400
Change In Net Position	(10,544)
Net Position, Beginning of Year	81,613
Net Position, End of Year	$ 71,069

See accompanying notes to basic financial statement.

NOTES TO BASIC FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Kelloggsville Public Schools (the "District")was organized under the School Code of the State of Michigan and services a population of approximately 2,327 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

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

The District's significant accounting policies are described below.

1. Reporting Entity

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

2. District-wide and Fund Financial Statements

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

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

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

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2015 Construction Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

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

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

Governmental Funds

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

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

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

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

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

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

Fiduciary Funds

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

Trust Funds—Trust Fund net position and results of operations are not included in the district-wide financial statements. Trust funds are reported using the economic resources measurement focus.

Agency Funds—Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

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

4. Budgets and Budgetary Accounting

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

Kelloggsville Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

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

6. Investments

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

7. Inventories and Prepaid Items

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

8. Capital Assets

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

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

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

Land improvements	10-20 years
Buildings and improvements	40-50 years
Furniture and equipment	3-10 years
Vehicles	5-10 years

9. Long-term Obligations

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

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

10. Severance Pay/Accumulated Sick Leave

Severance pay and accumulated sick leave at June 30, 2018 has been computed and recorded in the district-wide financial statements of the District. Eligible District employees who retire are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2018, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for severance pay and accumulated sick leave amounted to $166,424 and $489,548, respectively.

11. Retirement Plan

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

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

12. Postemployment Benefits Other Than Pensions

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

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three such items that qualify for reporting in this category: the deferred charge on a previous year's bond refunding, the deferred outflows relating to the recognition of net pension liability on the financial statements and the deferred outflows relating to the recognition of the new OPEB liability on the financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as in inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of OPEB liability on the financial statements.

14. Net Position

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

15. Fund Balance

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

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts.
- Assigned - resources that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes.

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

As Kelloggsville Public Schools has not established a policy for its use of unrestricted fund balance amounts, it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District Board of Education has given the Superintendent the authority to assign fund balances. At June 30, 2018, $2,981 of the Food Service Special Revenue Fund balance has been assigned for subsequent year expenditures encumbered.

16. Interfund Activity

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

17. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Investments

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

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally charted bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.

- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.

- Securities issued or guaranteed by agencies or instrumentalities of the United States government.

- United States government or Federal agency obligation repurchase agreements.

- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.

- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.

- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2018 related to cash equivalents and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	$ 6,766,407
Fiduciary Funds:	
Trust and Agency Funds	272,792
	$ 7,039,199

Cash Equivalents

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

1. Chemical Bank

Cash equivalents consist of bank interest earning Checking NOW Unlimited Public accounts and non-interest earning Business Checking accounts.

June 30, 2018 balances are detailed as follows:

Cash equivalents	$ 5,438,751

Custodial Credit Risk as Related to Cash Equivalents
Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents was $5,438,751 and the bank balance was $5,837,023. Of the bank balance, $734,021 was covered by federal depository insurance and $5,103,002 was uninsured and uncollateralized.

Investments

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

Chemical Bank Cash and Equivalents Money Market:	
Fidelity Institutional Treasury Portfolio	$ 1,600,488

The Chemical Bank Cash and Equivalents Money Market is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the Michigan School Code. The fund is not rated, regulated or registered with the Securities Exchange Commission.

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

Interest Rate Risk
The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

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

Note C – State School Aid/Property Taxes

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

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2017 and October 2017. The 2017-18 "Foundation Allowance" for Kelloggsville Public Schools was $7,631 for 2,318 "Full Time Equivalent" students, generating $18,253,375 in State aid payments to the District, of which $3,255,389 was paid to the District in July and August 2018 and included in "Due From Other Governmental Units" of the General and Food Service Special Revenue Funds of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy system by the Cities of Kentwood and Wyoming, and due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30.

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

Kelloggsville Public Schools' electors previously approved a five year operating millage extension in May 2014 for the 18 mill non-homestead property tax. However, due to Headlee rollbacks only 17.6387 mills was levied in the District for 2017.

The District levied 7.32 mills for debt service purposes, applied on all taxable property in the District.

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

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

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

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

For the year ended June 30, 2018, the District's property tax revenues were reduced by approximately $223,241 under these agreements.

Note D –Interfund Receivables/Payables and Transfers

Operating transfers between funds during the year ended June 30, 2018 were as follows:

	Transfers In	Transfers Out
Major Funds		
General Fund:		
Special Revenue Fund:		
Food Service Fund	$ 65,000	$ -
Debt Service Funds:		
2016 Debt Service Fund	-	197,663
Total Major Funds	65,000	197,663
Nonmajor Funds		
Special Revenue Fund:		
Food Service Fund:		
General Fund	-	65,000
Debt Service Funds:		
2016 Debt Service Fund:		
General Fund	197,663	-
Total Nonmajor Funds	197,663	65,000
Total All Funds	$ 262,663	$ 262,663

Note E – Capital Assets

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

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018
Capital assets not depreciated:				
Land	$ 11,767,057	$ -	$ -	$ 11,767,057
Construction in progress	21,930,290	8,019,305	29,949,595	-
Totals capital assets not being depreciated	33,697,347	$ 8,019,305	$ 29,949,595	11,767,057
Capital assets being depreciated:				
Land improvements	2,085,444	$ 1,324,222	$ -	3,409,666
Buildings and additions	22,295,611	27,342,838	-	49,638,449
Furniture and equipment	2,044,033	428,857	-	2,472,890
Vehicles	1,130,640	415,881	136,067	1,410,454
Totals capital assets being depreciated	27,555,728	$ 29,511,798	$ 136,067	56,931,459
Less accumulated depreciation for:				
Land improvements	1,580,451	$ 41,682	$ -	1,622,133
Buildings and additions	10,264,686	397,131	-	10,661,817
Furniture and equipment	1,836,539	60,946	-	1,897,485
Vehicles	598,871	131,055	107,363	622,563
Total accumulated depreciation	14,280,547	$ 630,814	$ 107,363	14,803,998
Total capital assets being depreciated	13,275,181			42,127,461
Net Capital Assets	$ 46,972,528			$ 53,894,518

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	$ 314,013
Supporting services	248,810
Community services	23,242
Food service	40,232
Unallocated	4,517
	$ 630,814

Note F – Long-term Debt

Changes in long-term debt for the year ended June 30, 2018 are summarized as follows:

	Debt Outstanding June 30, 2017	Debt Added	Debt Retired	Debt Outstanding June 30, 2018
General obligation bonds:				
February 24, 2015	$ 30,655,000	$ -	$ 955,000	$ 29,700,000
December 28, 2016	870,000	-	165,000	705,000
Bond premium	1,247,507	-	44,554	1,202,953
Installment purchase agreement	167,564	-	54,703	112,861
Severance pay	170,624	13,175	17,375	166,424
Accumulated sick leave	570,462	83,149	164,063	489,548
	$ 33,681,157	$ 96,324	$ 1,400,695	$ 32,376,786

Long-term bonds, installment purchase agreements and other obligations at June 30, 2018 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
$32,770K Building and Site February 24, 2015:				
Annual maturities of $610K to $1,780K	May 1, 2043	3.00 - 5.00	$ 29,700,000	$ 995,000
$870K 2016 Refunding December 28, 2016:				
Annual maturities of $170K to $185K	May 1, 2022	1.55 - 2.00	705,000	170,000
Bond premium			1,202,953	44,554
Installment Purchase Agreement				
$325,047 School Buses June 16, 2014:				
Annual maturities of $55,847 to $57,015		2.09	112,861	55,847
Other Obligations				
Severance pay			166,424	18,000
Accumulated sick leave			489,548	165,000
			$ 32,376,786	$ 1,448,401

The annual requirements to pay principal and interest on long-term bonds and installment purchase agreements outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2019	$ 1,220,847	$ 1,314,165	$ 2,535,012
2020	842,014	1,356,268	2,198,282
2021	820,000	1,225,772	2,045,772
2022	860,000	1,190,022	2,050,022
2023	710,000	1,152,294	1,862,294
2024	745,000	1,116,794	1,861,794
2025	780,000	1,079,544	1,859,544
2026	820,000	1,040,544	1,860,544
2027	845,000	1,015,944	1,860,944
2028	870,000	989,538	1,859,538
2029	900,000	961,263	1,861,263
2030	930,000	930,888	1,860,888
2031	960,000	898,338	1,858,338
2032	995,000	863,538	1,858,538
2033	1,045,000	813,788	1,858,788
2034	1,100,000	761,538	1,861,538
2035	1,150,000	706,538	1,856,538
2036	1,210,000	649,038	1,859,038
2037	1,270,000	588,538	1,858,538
2038	1,335,000	525,038	1,860,038
2039	1,400,000	458,288	1,858,288
2040	1,460,000	400,538	1,860,538
2041	1,520,000	340,313	1,860,313
2042	1,585,000	277,613	1,862,613
2043	1,650,000	212,231	1,862,231
2044	1,715,000	144,169	1,859,169
2045	1,780,000	73,425	1,853,425
	$ 30,517,861	$ 21,085,967	$ 51,603,828

Note G – Retirement Plan

Plan Description

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

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

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

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

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

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

Membership

At September 30, 2017, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	189,960
Survivor benefits	17,878
Disability benefits	6,151
Total	**213,989**
Inactive plan members entitled to but not yet receiving benefits:	**18,004**
Active plan members:	
Vested	101,574
Non-vested	102,407
Total	**203,981**
Total plan members	**435,974**

Benefits Provided

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

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Pension Reform 2010

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

Pension Reform 2012

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

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

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

Option 2 members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

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

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

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

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a Deferred Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Pension Reform of 2017

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

Regular Retirement

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

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

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

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

A Pension Plus member who became a member of MPSERS after June 30, 2010 may retire at age 60 with 10 or more years of credited service.

A Basic Plan member may retire at:

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

There is no mandatory retirement age.

Early Retirement

A member may retire with an early permanently reduced pension:

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

Deferred Retirement

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

Non-Duty Disability Benefit

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

Duty Disability Benefit

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

Forms of Payment

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

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

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

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

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

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

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

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

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

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

Survivor Benefit

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

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

Post-Retirement Adjustments

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

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

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

Contributions and Funded Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under the method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability will be amortized over a 22 year period for the 2017 fiscal year.

The schedule below summarized pension contribution rate in effect for the plan fiscal year 2017.

Pension Contribution Rates:

Plan Name	Member	District
Member Investment Plan (MIP)	0.0 – 4.0%	19.03%
Basic	3.0 – 7.0 %	19.03%
Pension Plus	3.0 – 6.4%	18.40%
Defined Contribution	0.0%	15.27%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2018, inclusive of the MSPERS UAAL Stabilization, totaled $3,702,200.

MPSERS Plan Net Pension Liability (in thousands)

Total Pension Liability	$ 73,501,296
Plan Fiduciary Net Position	47,011,783
Net Pension Liability	$ 26,489,513
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.96%
Net Pension Liability as a Percentage of Covered Employee Payroll	313.37%
Total Covered Payroll	$ 8,452,983

Proportionate Share of Reporting Unit's Net Pension Liability

At June 30, 2018, the District reported a liability of $35,947,472 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 as of that date. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. At September 30, 2017 the District's proportion was .13871700%, which was an increase from .13275085% at September 30, 2016.

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

For the year ended June 30, 2018, the District recognized pension expense of $3,940,245. 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
Difference between expected and actual experience	$ 312,408	$ 176,387
Changes of assumptions	3,938,331	—
Net difference between projected and actual earnings on pension plan investment earnings	—	1,718,526
Changes in proportion and differences between District contributions and proportionate share of contributions	1,159,196	189,734
District contributions subsequent to the measurement date*	3,411,409	—
Total	$ 8,821,344	$ 2,084,647

*This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 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 June 30	Amount
2019	$ 1,501,656
2020	866,904
2021	87,609

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	7.5%
Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5% - 12.3%, including wage inflation of 3.5%
Cost-of-Living Adjustments:	3% annual non-compounded for MIP members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males, and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017 is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.4744 for non-university employers, 1.4186 for university employers].

- Recognition period for assets in years is 5.000.

- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Pools	28.0%	5.6%
Private Equity Pools	18.0%	8.7%
International Equity Pools	16.0%	7.2%
Fixed Income Pools	10.5%	(0.1%)
Real Estate & Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short-term Investment Pools	2.0%	(0.9%)
Total	**100.0%**	

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changed amounts actually invested.

Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 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%
District's proportionate share of the net pension liability	$ 46,827,599	$ 35,947,472	$ 26,787,097

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System September 30, 2017 Comprehensive Annual Financial Report, available here: (www.michigan.gov/orsschools).

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

Payables to the pension plan totaling $514,633 at June 30, 2018 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

Note H – Other Postemployment Benefits

Plan Description

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

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

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

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

Plan Participants

At September 30, 2017, the System's membership consisted of the following:

Eligible participants	211,051
Participants receiving benefits:	
Health	152,154
Dental/Vision	165,532
Vested plan members:	
Active	190,537
Non-active	2,349

Benefits Provided

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

Retiree Healthcare Reform of 2012

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

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

Contributions and Funded Status

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.
Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017:

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	5.91%
Personal Healthcare Fund (PHF)	0.0 %	5.69%

Required contributions to the OPEB plan from the District were $948,001 for the year ended September 30, 2017.

Net OPEB Liability (in thousands)

Total OPEB Liability	$ 14,175,547
Plan Fiduciary Net Position	5,177,775
Net OPEB Liability	$ 8,997,772
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	36.53%
Net OPEB Liability as a Percentage of Covered Employee Payroll	106.44%
Total Covered Payroll	$ 8,452,983

At June 30, 2018, the District reported a liability of $12,268,190 for its proportionate share of the MPSERS 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 rolled forward from September 2016. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was .13853797%.

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

For the year ended June 30, 2018, the District recognized OPEB expense of $820,720. 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
Difference between expected and actual experience	$ —	$ 130,620
Net difference between projected and actual earnings on OPEB plan investment earnings	—	284,134
Changes in proportion and differences between District contributions and proportionate share of contributions	579	—
District contributions subsequent to the measurement date*	880,781	—
Total	$ 881,360	$ 414,754

* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 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 June 30	Amount
2019	$ (100,096)
2020	(100,096)
2021	(100,096)
2022	(100,096)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5% - 12.3%, including wage inflation of 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males, and 70% of the table rates were used for females.

Other Assumptions:

Opt Out Assumptions	21% of eligible participants hired before July 1, 208 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 retires are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assume to elect coverage for 1 or more dependents

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.4744 for non-university employers or 1.4186 for university employers]

- Recognition period for assets in years is 5.0000

- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
Private Equity Pools	18.0%	8.7%
International Equity Pools	16.0%	7.2%
Fixed Income Pools	10.5%	(0.1%)
Real Estate & Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short-term Investment Pools	2.0%	(0.9%)
Total	**100.0%**	

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

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	1% Decrease 6.5%	Current Rate Discount 7.5%	Assumption 1% Increase 8.5%
District's proportionate share of the net OPEB liability	$ 14,369,596	$ 12,268,190	$ 10,484,754

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

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

	1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net OPEB liability	$ 10,389,508	$ 12,268,190	$ 14,401,302

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling $112,410 at June 30, 2018 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

Note I – Risk Management and Benefits

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

There were no significant reductions in insurance coverage in fiscal 2017-18, and as of year ended June 30, 2018, there were no material pending claims against the District.

Note J – Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of $36,225,332 and a total net position deficit of $11,790,691, as of June 30, 2018. These deficit net positions result primarily from the net pension liability of $29,210,775 and the net OPEB liability of $11,801,584 (net of deferred outflows and inflows of resources related to the pension and OPEB plans, respectively).

Note K – Commitments

On June 3, 2015, the District issued $32,770,000 of general obligation 2015 Construction bonds whose proceeds are being used for land improvements, building renovations and additions and furniture and equipment purchases. At June 30, 2018, unspent balances committed to these construction projects totaled $1,623,140, which are expected to be fully expended by the year ended June 30, 2019.

Note L – New Accounting Pronouncement Adopted

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* were adopted by the District during the fiscal year ended June 30, 2018. This statement replaces the requirements of GASB Statement No. 45 and the primary objective of this statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (OPEB). Changes/additions to deferred outflows of resources, deferred inflows of resources and net OPEB liability required by the Statements decreased beginning net position by $11,710,310 at July 1, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

KELLOGGSVILLE PUBLIC SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2018

	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018
District's proportion of the net pension liability	0.13435766%	0.13240497%	0.13275085%	0.13871700%
District's proportionate share of the net pension liability	$ 29,594,294	$ 32,339,949	$ 33,120,251	$ 35,947,472
District's covered-employee payroll	$ 11,397,274	$ 10,855,140	$ 11,254,090	$ 11,872,440
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.73%	297.92%	294.30%	302.78%
Plan fiduciary net position as a percentage of the total pension liability	66.15%	62.92%	63.01%	63.96%

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

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

See accompanying notes to required supplementary information.

KELLOGGSVILLE PUBLIC SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2018

	Year Ended June 30, 2018
District's proportion of the net OPEB liability	0.13853797%
District's proportionate share of the net OPEB liability	$ 12,268,190
District's covered-employee payroll	$ 11,872,440
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	103.33%
Plan fiduciary net position as a percentage of the total OPEB liability	36.53%

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

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

See accompanying notes to required supplementary information.

KELLOGGSVILLE PUBLIC SCHOOLS
Required Supplementary Information
Schedule of District Pension Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2018

	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018
Contractually required contribution	$ 3,485,798	$ 3,401,365	$ 3,646,455	$ 3,702,200
Contributions in relation to the contractually required contribution	3,485,798	3,401,365	3,646,455	3,702,200
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 10,708,777	$ 11,246,480	$ 11,768,883	$ 12,526,480
Contributions as a percentage of covered employee payroll	32.55%	30.24%	30.98%	29.55%

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

See accompanying notes to required supplementary information.

KELLOGGSVILLE PUBLIC SCHOOLS
Required Supplementary Information
Schedule of District OPEB Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2018

	Year Ended June 30, 2018
Contractually required contribution	$ 948,001
Contributions in relation to the contractually required contribution	948,001
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 12,526,480
Contributions as a percentage of covered employee payroll	7.57%

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

See accompanying notes to required supplementary information.

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2017-18.

Changes of assumptions: There were no changes of benefit assumptions in 2017-18.

SUPPLEMENTARY INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash	$ 300	$ 300
Cash equivalents, deposits and investments	4,313,007	2,703,425
Accounts receivable	55,664	60,465
Due from other governmental units	3,737,186	3,489,256
Prepaid expenditures	5,043	53,780
Total Assets	$ 8,111,200	$ 6,307,226
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 175,966	$ 162,114
Due to other governmental units	1,061,227	902,137
Salaries payable	1,424,960	1,362,453
Unearned revenue	6,048	499
Total Liabilities	2,668,201	2,427,203
Fund Balances		
Nonspendable	5,043	53,780
Unassigned	5,437,956	3,826,243
Total Fund Balances	5,442,999	3,880,023
Total Liabilities and Fund Balances	$ 8,111,200	$ 6,307,226

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2018 and 2017

	2018	2017
Local sources:		
Property taxes:		
Current property taxes	$ 3,230,535	$ 3,161,246
Delinquent and other property taxes	5,701	15,146
Interest on delinquent taxes	3,014	2,281
	3,239,250	3,178,673
Interest earnings:		
Interest on deposits and investments	3,923	2,413
Revenue from student activities:		
Athletics admissions	33,878	37,124
Tournament fees	44,271	6,423
	78,149	43,547
Other local revenue:		
Summer school tuition	2,925	6,050
Preschool tuition	11,921	9,807
Beverage consortium commissions	6,842	6,981
Donations	154,500	3,630
Sale of fixed assets	5,511	-
Crossing guard reimbursement	3,832	3,894
Insurance reimbursements	64,723	25,876
Universal service fund	43,679	266,134
Miscellaneous	92,175	58,037
	386,108	380,409
Total local sources	3,707,430	3,605,042
State sources:		
State aid	18,199,515	16,649,213
Special education - transportation	323,977	351,335
Special education - itinerants	32,321	13,265
Technology infrastructure improvement grant	-	16,716
Total state sources	18,555,813	17,030,529
Federal sources:		
Title I	619,315	610,926
Title IIA	110,271	26,492
Title III	60,048	37,764
I.D.E.A. program	522,570	510,619
Medicaid - outreach	-	4,575
Safe and drug gree schools	9,126	-
Century 21	86,399	88,913
Counselor grant	150,127	272,070
Total federal sources	1,557,856	1,551,359

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2018 and 2017

	2018	2017
Interdistrict sources:		
Special education - county	$ 1,887,862	$ 1,300,589
Special education - tuition	1,702	4,343
Great Start Readiness Program	202,718	200,203
Medicaid fee for service	120,880	177,387
McKinney Vento Homeless grant	1,344	2,039
Other interdistrict sources	55,364	21,126
Total interdistrict sources	2,269,870	1,705,687
Total Revenues	$ 26,090,969	$ 23,892,617

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2018 and 2017

	2018	2017
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	$ 3,158,178	$ 3,026,448
Employee benefits	2,261,676	2,004,356
Purchased services	49,976	39,561
Supplies	69,675	185,096
Capital outlay	1,697	468
	5,541,202	5,255,929
Middle school:		
Salaries	1,353,413	1,260,063
Employee benefits	941,140	809,047
Purchased services	11,067	27,692
Supplies	37,529	48,983
Miscellaneous	913	4,907
	2,344,062	2,150,692
High school:		
Salaries	2,105,421	2,011,851
Employee benefits	1,481,668	1,324,137
Purchased services	93,863	120,281
Supplies	93,639	114,632
Capital outlay	4,233	4,758
Miscellaneous	20,466	21,379
Payments to other districts	5,143	17,112
	3,804,433	3,614,150
Preschool:		
Purchased services	5,458	4,764
Supplies	1,067	2,857
Miscellaneous	4,642	4,488
	11,167	12,109
Summer school:		
Salaries	33,007	40,170
Employee benefits	10,958	13,267
Purchased services	-	4,490
Supplies	800	6,279
	44,765	64,206
Total basic programs	11,745,629	11,097,086
Added needs:		
Special education:		
Salaries	766,032	806,666
Employee benefits	545,107	557,208
Purchased services	9,125	4,159
Supplies	483	5,091
Payments to other school districts	457,980	528,962
	1,778,727	1,902,086

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2018 and 2017

	2018	2017
Compensatory education:		
Salaries	$ 1,152,650	$ 924,945
Employee benefits	589,962	480,802
Purchased services	-	8,885
Supplies	24,272	1,100
	1,766,884	1,415,732
Total added needs	3,545,611	3,317,818
Total instruction	15,291,240	14,414,904
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	425,089	404,545
Employee benefits	203,656	204,292
Purchased services	29,145	36,736
Supplies	198	44,287
	658,088	689,860
Occupational therapy services:		
Salaries	38,121	37,816
Employee benefits	20,825	20,542
Supplies	196	545
Purchased services	-	16
	59,142	58,919
Psychological services:		
Employee benefits	369	-
Purchased services	378	172
Supplies	1,858	2,182
Payments to other school districts	86,432	79,185
	89,037	81,539
Speech pathology services:		
Salaries	46,680	57,923
Employee benefits	3,934	4,835
Supplies	407	240
Payments to other school districts	190,008	169,367
	241,029	232,365
Social worker services:		
Salaries	6,864	-
Employee benefits	2,261	-
Purchased services	487	845
Payments to other school districts	100,338	96,832
	109,950	97,677
Other pupil services:		
Salaries	14,806	5,733
Employee benefits	5,236	1,791
Purchased services	19,563	22,001
	39,605	29,525
Total pupil services	1,196,851	1,189,885

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2018 and 2017

	2018	2017
Instructional staff services:		
Improvement of instruction:		
Salaries	$ 22,166	$ 6,814
Employee benefits	6,983	1,375
Purchased services	20,115	10,468
	49,264	18,657
Library:		
Salaries	13,305	12,949
Employee benefits	1,047	991
Purchased services	53,440	32,132
Supplies	25,740	44,757
Capital outlay	9,673	-
	103,205	90,829
Audio - visual:		
Supplies	1,708	1,693
Supervision of instruction:		
Salaries	260,263	242,763
Employee benefits	145,252	139,566
Purchased services	24,894	20,495
Supplies	83,660	81,082
Miscellaneous	955	139
	515,024	484,045
Total instructional staff services	669,201	595,224
General administrative services:		
Board of education:		
Salaries	86,748	19,989
Employee benefits	13,314	25,600
Purchased services	82,904	78,587
Supplies	550	1,291
Miscellaneous	9,473	10,686
	192,989	136,153
Executive administration:		
Salaries	75,861	74,361
Employee benefits	44,234	44,426
Purchased services	149,907	150,992
Miscellaneous	2,135	2,492
	272,137	272,271
Total general administrative services	465,126	408,424
School administrative services:		
Office of the principal:		
Salaries	1,014,910	951,178
Employee benefits	630,108	602,097
Purchased services	25,796	36,204
Supplies	-	425
Miscellaneous	1,300	1,755
Total school administrative services	1,672,114	1,591,659

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2018 and 2017

	2018	2017
Business services:		
Fiscal services:		
Salaries	$ 259,419	$ 218,490
Employee benefits	129,660	141,596
Purchased services	48,412	44,024
Supplies	27,796	17,487
Miscellaneous	1,958	1,376
	467,245	422,973
Other business services:		
Purchased services	24,131	26,788
Miscellaneous	103,884	20,637
	128,015	47,425
Total business services	595,260	470,398
Operation and maintenance services:		
Operation and maintenance:		
Salaries	695,950	574,951
Employee benefits	407,768	376,104
Purchased services	402,661	334,358
Supplies	485,666	492,334
Miscellaneous	2,728	2,059
	1,994,773	1,779,806
Security services:		
Salaries	2,722	2,415
Employee benefits	552	783
Purchased services	67,372	61,857
	70,646	65,055
Total operation and maintenance services	2,065,419	1,844,861
Pupil transportation services:		
Pupil transportation:		
Salaries	226,755	221,368
Employee benefits	140,892	131,430
Purchased services	125,463	116,898
Supplies	48,791	35,805
Capital outlay	85,233	-
Miscellaneous	1,351	429
Payments to other school districts	489,133	436,311
Total pupil transportation services	1,117,618	942,241
Central services:		
Staff/personnel services:		
Purchased services	-	17,246

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2018 and 2017

	2018	2017
Technology services:		
Salaries	$ 163,046	$ 188,749
Employee benefits	115,353	128,194
Purchased services	120,171	109,560
Supplies	4,225	9,193
Capital outlay	-	4,228
	402,795	439,924
Pupil accounting services:		
Salaries	37,227	35,838
Employee benefits	119	-
	37,346	35,838
Total central services	440,141	493,008
Other supporting services:		
Athletics:		
Salaries	363,871	278,980
Employee benefits	116,679	105,328
Purchased services	88,014	109,166
Supplies	55,682	28,686
Capital outlay	35,412	37,582
Miscellaneous	19,135	14,259
Total other supporting services	678,793	574,001
Total supporting services	8,900,523	8,109,701
Community services:		
Community activities:		
Salaries	9,651	4,106
Employee benefits	3,284	1,365
Purchased services	11,735	7,834
Supplies	11,916	8,993
Miscellaneous	150	975
	36,736	23,273
Nonpublic school pupils:		
Purchased services	11,193	11,473
Payments to other school districts	-	3,727
	11,193	15,200
Community relations/special projects:		
Salaries	42,385	39,946
Employee benefits	27,715	13,610
Purchased services	17,879	21,899
Supplies	3,854	8,681
Miscellaneous	-	35
	91,833	84,171
Total community services	139,762	122,644
Interdistrict:		
Payments to other school districts	5,599	1,000

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2018 and 2017

	2018	2017
Debt service:		
Principal repayment	$ 54,704	$ 53,587
Interest and fiscal charges	3,502	4,619
Total debt service	58,206	58,206
Total Expenditures	$ 24,395,330	$ 22,706,455

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NONMAJOR GOVERNMENTAL FUNDS

KELLOGGSVILLE PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2018

	Special Revenue	
	Food Service	Child Care
Assets		
Cash equivalents, deposits and investments	$ 325,717	$ 20,521
Due from other governmental units	12,853	-
Inventory	8,496	-
Total Assets	$ 347,066	$ 20,521
Liabilities and Fund Balances		
Liabilities	$ -	$ -
Fund Balances		
Nonspendable	8,496	-
Restricted	335,589	20,521
Assigned for subsequent year expenditures	2,981	-
Total Fund Balances	347,066	20,521
Total Liabilities and Fund Balances	$ 347,066	$ 20,521

Debt Service		
2015	2016	Total
$ 444,426	$ 39,596	$ 830,260
-	-	12,853
-	-	8,496
$ 444,426	$ 39,596	$ 851,609
$ -	$ -	$ -
-	-	8,496
444,426	39,596	840,132
-	-	2,981
444,426	39,596	851,609
$ 444,426	$ 39,596	$ 851,609

KELLOGGSVILLE PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2018

	Special Revenue	
	Food Service	Child Care
Revenues		
Local sources:		
Property taxes	$ -	$ -
Interest earnings	208	28
Sales and admissions	272,878	-
Other local sources	-	97,209
Total local sources	273,086	97,237
State sources	50,515	26,727
Federal sources	1,504,774	-
Total Revenues	1,828,375	123,964
Expenditures		
Current:		
Food service	1,608,089	-
Community services	-	128,108
Debt service:		
Principal repayment	-	-
Interest and fiscal charges	-	-
Total Expenditures	1,608,089	128,108
Excess (Deficiency) of Revenues Over Expenditures	220,286	(4,144)
Other Financing Sources (Uses)		
Other	-	567
Transfers in	-	-
Transfers out	(65,000)	-
Total Other Financing Sources (Uses)	(65,000)	567
Net Change in Fund Balances	155,286	(3,577)
Fund Balances, Beginning of Year	191,780	24,098
Fund Balances, End of Year	$ 347,066	$ 20,521

Debt Service		
2015	2016	Total
$ 2,570,615	$ -	$ 2,570,615
941	10	1,187
-	-	272,878
-	-	97,209
2,571,556	10	2,941,889
-	-	77,242
-	-	1,504,774
2,571,556	10	4,523,905
-	-	1,608,089
-	-	128,108
955,000	165,000	1,120,000
1,337,244	15,826	1,353,070
2,292,244	180,826	4,209,267
279,312	(180,816)	314,638
-	-	567
-	197,663	197,663
-	-	(65,000)
-	197,663	133,230
279,312	16,847	447,868
165,114	22,749	403,741
$ 444,426	$ 39,596	$ 851,609

KELLOGGSVILLE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2018

	Budget	Actual	Variance
Revenues			
Local sources	$ 266,515	$ 273,086	$ 6,571
State sources	41,601	50,515	8,914
Federal sources	1,330,318	1,504,774	174,456
Total Revenues	1,638,434	1,828,375	189,941
Expenditures			
Current:			
Food service	1,529,554	1,608,089	78,535
Excess of Revenues Over Expenditures	108,880	220,286	111,406
Other Financing Uses			
Transfers out	(65,000)	(65,000)	-
Net Change in Fund Balances	43,880	155,286	111,406
Fund Balances, Beginning of Year	191,780	191,780	-
Fund Balances, End of Year	$ 235,660	$ 347,066	$ 111,406

KELLOGGSVILLE PUBLIC SCHOOLS
Child Care Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2018

	Budget	Actual	Variance
Revenues			
Local sources	$ 95,104	$ 97,237	$ 2,133
State sources	25,229	26,727	1,498
Total Revenues	120,333	123,964	3,631
Expenditures			
Current:			
Community services	129,064	128,108	956
Excess (Deficiency) of Revenues Over Expenditures	(8,731)	(4,144)	4,587
Other Financing Sources			
Other	525	567	42
Net Change in Fund Balances	(8,206)	(3,577)	4,629
Fund Balances, Beginning of Year	24,098	24,098	-
Fund Balances, End of Year	$ 15,892	$ 20,521	$ 4,629

SPECIAL REVENUE FUND

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Child Care—to account for user fees and State subsidies for use in administering the child care program of the District.

KELLOGGSVILLE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash equivalents, deposits and investments	$ 325,717	$ 179,053
Due from other governmental units	12,853	8,605
Inventory	8,496	4,122
Total Assets	$ 347,066	$ 191,780
Liabilities and Fund Balances		
Liabilities	$ -	$ -
Fund Balances		
Nonspendable	8,496	4,122
Restricted	335,589	184,677
Assigned for subsequent year expenditures	2,981	2,981
Total Fund Balances	347,066	191,780
Total Liabilities and Fund Balances	$ 347,066	$ 191,780

KELLOGGSVILLE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2018 and 2017

	2018	2017
Revenues		
Local sources:		
Food sales:		
Children's lunches	$ 104,925	$ 106,662
Adult lunches	3,241	4,216
Milk	1,860	2,901
Ala carte	24,903	32,808
Vending machine	17,563	6,602
Banquets	63,205	59,485
Donations	38,542	50,892
Other	18,639	13,561
	272,878	277,127
Interest earnings:		
Interest on deposits and investments	208	170
Total local sources	273,086	277,297
State sources	50,515	48,348
Federal sources	1,504,774	1,371,685
Total Revenues	1,828,375	1,697,330
Expenditures		
Current:		
Food service:		
Salaries	454,164	442,149
Employee benefits	196,124	199,681
Purchased services	52,221	92,056
Supplies	881,700	808,734
Equipment and furniture	17,172	94,977
Miscellaneous	5,938	5,699
Payments to other districts	770	-
Total Expenditures	1,608,089	1,643,296
Excess of Revenues Over Expenditures	220,286	54,034
Other Financing Uses		
Transfers out	(65,000)	(65,000)
Net Change in Fund Balances	155,286	(10,966)
Fund Balances, Beginning of Year	191,780	202,746
Fund Balances, End of Year	$ 347,066	$ 191,780

KELLOGGSVILLE PUBLIC SCHOOLS
Child Care Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash equivalents, deposits and investments	$ 20,521	$ 24,098
Liabilities and Fund Balances		
Liabilities	$ -	$ -
Fund Balances		
Restricted	20,521	24,098
Total Liabilities and Fund Balances	$ 20,521	$ 24,098

KELLOGGSVILLE PUBLIC SCHOOLS
Child Care Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2018 and 2017

	2018	2017
Revenues		
Local sources:		
Other local sources:		
Child care fees	$ 94,000	$ 99,428
Summer activity fees	3,209	2,325
	97,209	101,753
Interest earnings:		
Interest on deposits and investments	28	36
Total local sources	97,237	101,789
State sources	26,727	13,668
Total Revenues	123,964	115,457
Expenditures		
Current:		
Child care:		
Salaries	45,413	44,386
Employee benefits	19,953	19,369
Purchased services	61,014	59,328
Supplies	1,265	666
Capital outlay	-	515
Miscellaneous	463	-
Total Expenditures	128,108	124,264
Excess (Deficiency) of Revenues Over Expenditures	(4,144)	(8,807)
Other Financing Sources		
Other	567	159
Net Change in Fund Balances	(3,577)	(8,648)
Fund Balances, Beginning of Year	24,098	32,746
Fund Balances, End of Year	$ 20,521	$ 24,098

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

KELLOGGSVILLE PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2018

	2015	2016
Assets		
Cash equivalents, deposits and investments	$ 444,426	$ 39,596
Liabilities and Fund Balances		
Liabilities	$ -	$ -
Fund Balances		
Restricted	444,426	39,596
Total Liabilities and Fund Balances	$ 444,426	$ 39,596

Totals	
2018	2017
$ 484,022	$ 187,863
$ -	$ -
484,022	187,863
$ 484,022	$ 187,863

KELLOGGSVILLE PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2018

	2015	2016
Revenues		
Local sources:		
Property taxes:		
Current property taxes	$ 2,526,208	$ -
Industrial facilities taxes	38,362	-
Delinquent and other property taxes	3,088	-
Interest on delinquent taxes	2,596	-
Other	361	-
	2,570,615	-
Interest earnings:		
Interest on deposits and investments	941	10
Total Revenues	2,571,556	10
Expenditures		
Debt service:		
Principal repayment	955,000	165,000
Interest and fiscal charges:		
Interest expense	1,336,744	15,326
Paying agent fees	500	500
Bond issuance costs	-	-
Total Expenditures	2,292,244	180,826
Excess (Deficiency) of Revenues Over Expenditures	279,312	(180,816)
Other Financing Sources (Uses)		
Refunding bonds issued	-	-
Transfers in	-	197,663
Transfers out	-	-
Payment to escrow agent	-	-
Total Other Financing Sources (Uses)	-	197,663
Net Change in Fund Balances	279,312	16,847
Fund Balances, Beginning of Year	165,114	22,749
Fund Balances, End of Year	$ 444,426	$ 39,596

Totals	
2018	2017
$ 2,526,208	$ 2,432,416
38,362	40,210
3,088	1,864
2,596	1,823
361	1,805
2,570,615	2,478,118
951	691
2,571,566	2,478,809
1,120,000	1,060,000
1,352,070	1,400,935
1,000	-
-	17,035
2,473,070	2,477,970
98,496	839
-	870,000
197,663	205,538
-	(39,588)
-	(853,036)
197,663	182,914
296,159	183,753
187,863	4,110
$ 484,022	$ 187,863

CAPITAL PROJECTS FUNDS

2015 Construction Fund—to account for bond proceeds used to finance building construction and improvement projects.

KELLOGGSVILLE PUBLIC SCHOOLS
2015 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash equivalents, deposits and investments	$ 1,623,140	$ 10,276,957
Liabilities and Fund Balances		
Liabilities	$ -	$ -
Fund Balances		
Restricted	1,623,140	10,276,957
Total Liabilities and Fund Balances	$ 1,623,140	$ 10,276,957

KELLOGGSVILLE PUBLIC SCHOOLS
2015 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2018 and 2017

	2018	2017
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	$ 43,635	$ 217,003
Expenditures		
Supporting services:		
Pupil transportation services:		
Pupil transportation:		
New buses	166,600	10,850
Capital outlay:		
Purchased services	12,700	16,830
Land	-	4,711
Site improvement	6,560	159,469
Bond consultant fees	-	7,200
Architect fees	354,042	234,076
Advertising	-	708
Building improvements	7,040,933	17,250,767
New equipment	1,116,617	782,095
Bond issuance costs	-	7,828
Total capital outlay	8,530,852	18,463,684
Total Expenditures	8,697,452	18,474,534
Net Change in Fund Balances	(8,653,817)	(18,257,531)
Fund Balances, Beginning of Year	10,276,957	28,534,488
Fund Balances, End of Year	$ 1,623,140	$ 10,276,957

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

KELLOGGSVILLE PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2018

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018
Assets				
Cash equivalents, deposits and investments	$ 176,454	$ 197,638	$ 172,369	$ 201,723
Liabilities				
Due to student groups	$ 176,454	$ 206,053	$ 180,784	$ 201,723