

KALKASKA PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS

JUNE 30, 2024

KALKASKA PUBLIC SCHOOLS

KALKASKA, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Kalkaska Public Schools
Kalkaska, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kalkaska Public Schools, Kalkaska, Michigan as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kalkaska Public Schools, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kalkaska Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kalkaska Public Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government*

Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kalkaska Public Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kalkaska Public Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages 4-12 and 50-55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kalkaska Public Schools' basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2024, on our consideration of Kalkaska Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kalkaska Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kalkaska Public Schools' internal control over financial reporting and compliance.

UHY LLP

Cadillac, Michigan
September 6, 2024

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

This section of Kalkaska Public Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

Financial Highlights Section

Government-Wide

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$10,209,300, creating a deficit net position. Of this amount, net capital assets net of related debt was a positive \$10,180,990.
- The government's total net deficit decreased by \$4,878,109.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$8,579,468, a decrease of \$3,340,439 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,205,800.

Overview of the Financial Statements

A. Government-Wide Financial Statements

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

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

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

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

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

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

B. Fund Financial Statements

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

The District maintains one type of fiduciary fund. The Custodial fund reports resources held by the District in a custodial capacity for individuals, private organizations and other governments.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-49 of this report.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

Other Information

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

C. Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30.

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets	\$ 12,114,654	\$ 15,262,777
Non Current Assets	28,084,335	22,145,641
Total Assets	<u>40,198,989</u>	<u>37,408,418</u>
Deferred Outflows of Resources	<u>10,806,995</u>	<u>12,361,114</u>
Liabilities		
Current Liabilities	5,851,003	5,601,803
Non Current Liabilities	45,661,031	52,698,412
Total Liabilities	<u>51,512,034</u>	<u>58,300,215</u>
Deferred Inflows of Resources	<u>9,703,250</u>	<u>6,556,726</u>
Net Position		
Net Investment in Capital Assets	10,180,990	8,188,754
Restricted for Debt Service	700,986	583,344
Restricted for Net Other Postemployment Benefits Asset	508,464	0
Unrestricted - (Deficit)	<u>(21,599,740)</u>	<u>(23,859,507)</u>
Total Net Position - (Deficit)	<u>\$ (10,209,300)</u>	<u>\$ (15,087,409)</u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2024, the District's net position increased by \$4,878,109. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2024, \$2,158,803 was recorded for depreciation expense.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

2. Pension and Other Postemployment Benefits Expenses

GASB 68 and 75 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or a decrease in net position depending on whether the District's proportionate share of the net pension and other postemployment benefit liabilities increases or decreases in any given year. For the year ended June 30, 2024, the District reported an increase in net position related to GASB 68 and 75, which indicates that the District's proportionate share of the net pension and other postemployment benefits liability (asset) has decreased by that amount.

3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2024, \$7,589,033 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, retired capital assets, and the current year's depreciation is an increase to capital assets in the amount of \$5,430,230 for the fiscal year ended June 30, 2024.

E. Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30.

	<u>2024</u>	<u>2023</u>
General Revenues		
Property Taxes	\$ 9,745,955	\$ 9,412,920
Investment Earnings	567,055	593,493
State Sources	6,339,139	5,971,014
Other	77,125	145,484
Total General Revenues	<u>16,729,274</u>	<u>16,122,911</u>
Program Revenues		
Charges for Services	250,959	286,804
Operating Grants and Contributions	9,012,458	8,940,107
Capital Grants and Contributions	1,447,166	1,109,339
Total Program Revenues	<u>10,710,583</u>	<u>10,336,250</u>
Total Revenues	<u>27,439,857</u>	<u>26,459,161</u>

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

	2024	2023
Expenses		
Instruction	11,206,610	13,007,841
Supporting Services	7,072,432	7,132,472
Community Services	88,500	120,357
Payments to Other Districts	49,150	16,268
Facilities Acquisition, Construction, and Improvements	97,168	151,994
Food Service	1,123,632	1,227,174
Interest on Long-Term Debt	719,517	829,336
Bond Issuance Cost and Other Transactions	45,936	0
Unallocated Depreciation	2,158,803	2,069,761
	22,561,748	24,555,203
Changes in Net Position	\$ 4,878,109	\$ 1,903,958

F. Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

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

The District's non-principal property taxable value for the 2023-2024 fiscal year was \$373,568,152 and the commercial personal property taxable value was \$10,530,300 for a total of \$384,098,452. The non-principal residence and commercial personal property taxable value increased by 1.25% over the prior year.

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

Fiscal Year	Non-homestead Taxable Value	% Increase from Prior Year
2023-2024	\$ 384,098,452	1.25%
2022-2023	379,343,299	7.24%
2021-2022	353,730,679	2.73%
2020-2021	344,321,260	1.68%
2019-2020	338,617,471	2.97%

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. For fiscal year ended June 30, 2024, the per pupil foundation allowance was \$9,608 for Kalkaska Public Schools.

3. Student Enrollment

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

Fiscal Year	Blended Student FTE
2023-2024	1,362
2022-2023	1,386
2021-2022	1,412
2020-2021	1,451
2019-2020	1,472

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2024, federal, state, and other grants of this type were \$9,012,458.

G. Financial Analysis of the District's Funds

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

	2024	2023	Increase (Decrease)
Major Funds			
General Fund	\$ 4,481,921	\$ 3,733,355	\$ 748,566
2021 Capital Projects Fund	898,982	6,667,897	(5,768,915)
2024 Capital Projects Fund	1,494,954	0	1,494,954
2010 QSCB Debt Service Fund	435,907	346,078	89,829
Nonmajor Funds			
Food Service	408,257	354,747	53,510
Student Activities	433,551	421,631	11,920
2021 Debt Service Fund	344,368	341,352	3,016
2010 QZAB Debt Service Fund	81,528	54,847	26,681
Total Governmental Funds	\$ 8,579,468	\$ 11,919,907	\$ (3,340,439)

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

In 2023-2024, the General Fund had an increase in fund balance from the previous year. Of the total fund balance of \$4,481,921, \$121 is nonspendable for prepaid expenditures, \$276,000 is assigned for subsequent year budget, and \$4,205,800 is unassigned.

The 2021 Capital Projects Fund balance decrease is a result of the significant spending on various capital projects. The entire fund balance is restricted for capital projects.

The 2024 Capital Projects Fund balance increase is a result of new debt issued.

The 2010 QSCB Debt Service Fund balance increased due to revenues exceeding the debt service payments for the year. The entire fund balance is restricted for debt service.

The Food Service Fund had an increase due to a large increase in revenues. Of the total fund balance of \$408,257, \$8,507 is nonspendable for inventory, the remainder of \$399,750 is restricted for food service.

The Student Activities Fund had an increase due to monies collected being more than paid out. The entire fund balance is assigned for student activities.

The 2021 Debt Service Fund experienced an increase in fund balance due to tax collections exceeding the debt service payments during the fiscal year. The entire fund balance is restricted for debt service.

The 2010 QZAB Debt Service Fund experienced an increase in fund balance due to the debt service payments being less than the amount of revenues during the fiscal year. The entire fund balance is restricted for debt service.

H. General Fund Budgetary Highlights

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

For the 2023-2024 fiscal year, the District amended the general fund budget at various times. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues and Incoming Transfers	\$ 20,075,000	\$ 21,268,000	\$ 21,434,700
<u>EXPENDITURES</u>			
Instruction	\$ 13,257,155	\$ 13,383,073	\$ 13,227,317
Supporting Services	7,064,157	7,484,035	7,304,300
Community Services	99,760	118,344	105,367
Payments to Other Districts	15,928	21,548	49,150
Total Expenditures	\$ 20,437,000	\$ 21,007,000	\$ 20,686,134

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

The revenue budget was amended as it became clearer on the amounts the District would receive for State and Federal Funding, as well as funding from Property Taxes and Local Grants. The expenditures were amended to account for the anticipated spending. The variance between actual and amended revenues was favorable and mostly included both categorical and unrestricted state aid funding that exceeded conservative estimates. The favorable variance between actual and amended expenditures was minimal and represented 1.53% of total expenditures.

I. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2024, the District has \$58,767,832 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents an increase of \$7,328,000 after factoring in additions and dispositions over the prior fiscal year. Depreciation expense for the year amounted to \$2,158,803 bringing the accumulated depreciation to \$31,191,961 as of June 30, 2024. The District purchased buildings and additions for \$1,491,849, furniture and equipment for \$1,015,866, land improvements for \$18,490, and construction in progress of \$5,062,828.

Prior to the end of the fiscal year, the District entered into contracts for a large construction project under the 2021 bond of \$16,290,755. As of June 30, 2024, \$1,260,825 is remaining to be spent on the project.

The District approved the purchase of two propane buses for approximately \$285,000, \$72,500 of which will be funded by a state grant.

2. Long-Term Obligations

At June 30, 2024, the District had \$17,140,000 in bonded obligations outstanding. This represents a decrease of \$600,000 from the amount outstanding at the close of the prior fiscal year. Other long-term obligations include unamortized bond premium/(discount) of \$2,648,817, and net pension liability of \$28,027,214.

J. Factors Bearing on the District's Future

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

- The current retirement rate is estimated to be 48.38%. Although the District will see some cost containment in this area due to enacted reforms, we are concerned about State Aid funding stability and how the future retirement rates will be calculated with changes in legislation.
- Uncertainties related to enrollment counts continue to present budgeting challenges for all Michigan school districts. Enrollment projections were consistent with fiscal year 2023-2024 actual counts.
- As currently approved, the State Aid Bill is expected to provide the District with per-pupil funding that is equivalent to the adopted budget projection, which was conservatively derived.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

K. Contacting the District's Financial Management

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

KALKASKA PUBLIC SCHOOLS

KALKASKA, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2024

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 1,752,445
Investments	4,870,212
Restricted Investments	2,639,311
Accounts Receivable	5,478
Due from Other Governmental Units	2,838,580
Prepaid Expenses	121
Inventory	8,507
	<hr/>
Total Current Assets	12,114,654
	<hr/>
<u>NON CURRENT ASSETS</u>	
Capital Assets (Net of Accumulated Depreciation)	
Assets not being depreciated	6,473,456
Assets being depreciated	21,102,415
Net Other Postemployment Benefits Asset	508,464
	<hr/>
Total Non Current Assets	28,084,335
	<hr/>
TOTAL ASSETS	40,198,989
	<hr/>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows Related to Pensions	8,567,080
Deferred Outflows Related to Other Postemployment Benefits	2,239,915
	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,806,995
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	588,426
Due to Other Governmental Units	415,308
Salaries Payable	1,239,612
Accrued Expenses	640,350
Unearned Revenue	651,490
Accrued Interest Payable	160,817
Current Portion of Non Current Liabilities	2,155,000
	<hr/>
Total Current Liabilities	5,851,003
	<hr/>

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

KALKASKA PUBLIC SCHOOLS

KALKASKA, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2024

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>NON CURRENT LIABILITIES</u>	
Bonds Payable (Net)	19,788,817
Net Pension Liability	28,027,214
Less Current Portion of Non Current Liabilities	<u>(2,155,000)</u>
 Total Non Current Liabilities	 <u>45,661,031</u>
 TOTAL LIABILITIES	 <u>51,512,034</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows Related to Pensions	5,345,639
Deferred Inflows Related to Other Postemployment Benefits	<u>4,357,611</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>9,703,250</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	10,180,990
Restricted for Debt Service	700,986
Restricted for Net Other Postemployment Benefits Asset	508,464
Unrestricted (Deficit)	<u>(21,599,740)</u>
 TOTAL NET POSITION (Deficit)	 <u>\$ (10,209,300)</u>

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

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES		
	FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>						
Instruction	\$ 11,206,610	\$ 118,918	\$ 5,238,615	\$ 141,563	\$	\$ (5,707,514)
Supporting Services	7,072,432	59,422	1,871,319	38,184		(5,103,507)
Community Services	88,500	0	4,495	0		(84,005)
Payments to Other Districts	49,150	0	0	0		(49,150)
Facilities Acquisition, Construction, and Improvements	97,168	0	0	1,267,419		1,170,251
Food Service	1,123,632	72,619	1,588,244	0		537,231
Interest on Long Term Debt	719,517	0	309,785	0		(409,732)
Bond Issuance Costs and Other Transactions	45,936	0	0	0		(45,936)
Unallocated Depreciation	2,158,803	0	0	0		(2,158,803)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 22,561,748	\$ 250,959	\$ 9,012,458	\$ 1,447,166		(11,851,165)
<u>GENERAL REVENUES</u>						
Property Taxes - General Purposes						7,009,749
Property Taxes - Debt Service						2,736,206
Investment Earnings						567,055
State Sources						6,339,139
Other						77,125
Total General Revenues						16,729,274
Change in Net Position						4,878,109
<u>NET POSITION - Beginning of Year (Deficit)</u>						<u>(15,087,409)</u>
<u>NET POSITION - End of Year (Deficit)</u>						<u>\$ (10,209,300)</u>

GENERAL REVENUES

Property Taxes - General Purposes
Property Taxes - Debt Service
Investment Earnings
State Sources
Other
Total General Revenues
Change in Net Position

NET POSITION - Beginning of Year (Deficit)

NET POSITION - End of Year (Deficit)

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

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2024

	GENERAL FUND	2021 CAPITAL PROJECTS FUND	2024 CAPITAL PROJECTS FUND	2010 QSCB DEBT SERVICE FUND	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and Cash Equivalents	\$ 948,588	\$ 0	\$ 0	\$ 0	\$ 803,857	\$ 1,752,445
Investments	4,019,847	0	0	453,087	397,278	4,870,212
Restricted Investments	0	1,144,357	1,494,954	0	0	2,639,311
Accounts Receivable	4,256	0	0	0	1,222	5,478
Due from Other Funds	35,347	656	0	0	41,564	77,567
Due from Other Governmental Units	2,611,681	165,183	0	1,620	60,096	2,838,580
Prepaid Expenditures	121	0	0	0	0	121
Inventory	0	0	0	0	8,507	8,507
TOTAL ASSETS	\$ 7,619,840	\$ 1,310,196	\$ 1,494,954	\$ 454,707	\$ 1,312,524	\$ 12,192,221
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 163,228	\$ 411,214	\$ 0	\$ 0	\$ 13,984	\$ 588,426
Due to Other Funds	30,587	0	0	18,800	28,180	77,567
Due to Other Governmental Units	415,308	0	0	0	0	415,308
Salaries Payable	1,239,612	0	0	0	0	1,239,612
Accrued Expenses	640,350	0	0	0	0	640,350
Unearned Revenue	648,834	0	0	0	2,656	651,490
Total Liabilities	3,137,919	411,214	0	18,800	44,820	3,612,753
FUND BALANCES						
Nonspendable:						
Inventory	0	0	0	0	8,507	8,507
Prepaid Expenditures	121	0	0	0	0	121
Restricted for:						
Food Service	0	0	0	0	399,750	399,750
Debt Service	0	0	0	435,907	425,896	861,803
Capital Projects	0	898,982	1,494,954	0	0	2,393,936
Assigned for:						
Subsequent Year Budget	276,000	0	0	0	0	276,000
Student Activities	0	0	0	0	433,551	433,551
Unassigned	4,205,800	0	0	0	0	4,205,800
Total Fund Balances	4,481,921	898,982	1,494,954	435,907	1,267,704	8,579,468
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,619,840	\$ 1,310,196	\$ 1,494,954	\$ 454,707	\$ 1,312,524	\$ 12,192,221

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

KALKASKA PUBLIC SCHOOLS

KALKASKA, MICHIGAN

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

JUNE 30, 2024

Total Governmental Fund Balances	\$	8,579,468
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

The cost of the capital assets is	\$	58,767,832	
Accumulated depreciation is		<u>(31,191,961)</u>	27,575,871

Some assets are not current financial resources and therefore are not reported in the funds.

Net Other Postemployment Benefits Asset		508,464
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Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Bonds Payable			(17,140,000)
Net Pension Liability			(28,027,214)

Accrued interest is not included as a liability in governmental funds, it is recorded when paid.		(160,817)
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Governmental funds expense the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Bond Premium Net of Amortization			(2,668,386)
Bond Discount Net of Amortization			19,569

Deferred outflows and (inflows) of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources - related to pensions			8,567,080
Deferred inflows of resources - related to pensions			(5,345,639)
Deferred outflows of resources - related to other postemployment benefits			2,239,915
Deferred inflows of resources - related to other postemployment benefits			<u>(4,357,611)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(10,209,300)</u>
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The notes to the financial statements are an integral part of this statement.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	GENERAL FUND	2021 CAPITAL PROJECTS FUND	2024 CAPITAL PROJECTS FUND	2010 QSCB DEBT SERVICE FUND	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Local Sources	\$ 7,486,247	\$ 219,241	\$ 24,954	\$ 1,499,248	\$ 1,698,730	\$ 10,928,420
State Sources	11,921,308	0	0	22,303	223,861	12,167,472
Federal Sources	1,441,137	1,267,419	0	265,888	1,153,409	4,127,853
Other Transactions	567,008	0	0	0	0	567,008
Total Revenues	21,415,700	1,486,660	24,954	1,787,439	3,076,000	27,790,753
EXPENDITURES						
Instruction						
Basic Programs	10,658,879	0	0	0	0	10,658,879
Added Needs	2,568,438	0	0	0	0	2,568,438
Supporting Services						
Pupil	828,189	0	0	0	0	828,189
Instructional Staff	78,771	0	0	0	0	78,771
General Administration	485,900	0	0	0	0	485,900
School Administration	1,599,596	0	0	0	0	1,599,596
Business	473,937	0	0	0	0	473,937
Operation and Maintenance	2,048,367	0	0	0	0	2,048,367
Pupil Transportation Services	906,684	0	0	0	0	906,684
Central	386,848	0	0	0	0	386,848
Athletic Activities	496,008	0	0	0	0	496,008
Student Activities	0	0	0	0	276,405	276,405
Food Service	0	0	0	0	1,313,542	1,313,542
Community Services						
Community Activities	22,482	0	0	0	0	22,482
Custody and Care of Children	80,840	0	0	0	0	80,840
Welfare Activities	2,045	0	0	0	0	2,045
Payments to Other Districts	49,150	0	0	0	0	49,150
Facilities Acquisition, Construction, and Improvements	0	7,255,575	0	0	0	7,255,575
Debt Service						
Principal	0	0	0	1,350,000	750,000	2,100,000
Interest and Other	0	0	0	347,610	621,926	969,536
Bond Issuance Costs	0	0	30,000	0	0	30,000
Total Expenditures	20,686,134	7,255,575	30,000	1,697,610	2,961,873	32,631,192
Excess (Deficiency) of Revenues Over Expenditures	729,566	(5,768,915)	(5,046)	89,829	114,127	(4,840,439)
OTHER FINANCING SOURCES (USES)						
Face Value of Debt	0	0	1,500,000	0	0	1,500,000
Transfers In	19,000	0	0	0	0	19,000
Transfers Out	0	0	0	0	(19,000)	(19,000)
Total Other Financing Sources (Uses)	19,000	0	1,500,000	0	(19,000)	1,500,000
Net Change in Fund Balance	748,566	(5,768,915)	1,494,954	89,829	95,127	(3,340,439)
FUND BALANCE - Beginning of Year	3,733,355	6,667,897	0	346,078	1,172,577	11,919,907
FUND BALANCE - End of Year	\$ 4,481,921	\$ 898,982	\$ 1,494,954	\$ 435,907	\$ 1,267,704	\$ 8,579,468

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

KALKASKA PUBLIC SCHOOLS

KALKASKA, MICHIGAN

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

YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances Total Governmental Funds \$ (3,340,439)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Capital Outlay	7,589,033
Depreciation Expense	(2,158,803)

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	158,933
Accrued Interest Payable - End of Year	(160,817)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses, and liabilities are reported regardless of when financial resources are available.

Issuance of Debt	(1,500,000)
Repayment of Bond Principal	2,100,000
Amortization of Bond Discount / Premium	235,967

Accumulated Sick Pay and Early Retirement Incentives are reported on the accrual method in the Statement of Activities, and recorded as expenditures when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	8,074
Compensated Absences - End of Year	0

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in Pension Related Items	808,380
Change in OPEB Related Items	1,488,677

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement date.

Change in State Aid Funding for Pension	<u>(350,896)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,878,109</u>
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The notes to the financial statements are an integral part of this statement.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2024

	<u>CUSTODIAL FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 58,893
<u>LIABILITIES</u>	
	<u>0</u>
<u>NET POSITION</u>	
Restricted for Scholarships	<u>\$ 58,893</u>

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

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2024

	<u>CUSTODIAL FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 63
Student Scholarship Income	<u>24,952</u>
TOTAL ADDITIONS	25,015
 <u>DEDUCTIONS</u>	
Scholarships Awarded	<u>29,500</u>
CHANGE IN NET POSITION	(4,485)
 <u>NET POSITION</u> - Beginning of Year	<u>63,378</u>
 <u>NET POSITION</u> - End of Year	<u><u>\$ 58,893</u></u>

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

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District (“the District”) is located in Kalkaska County with its administrative offices located in Kalkaska, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,362 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, and athletic activities. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government’s funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

The District reports the following major governmental funds:

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

The *2021 and 2024 Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects.

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

Other non-major funds:

The *Special Revenue Funds* account for revenue sources that are legally restricted or assigned to expenditures for specific purposes. The District accounts for its food service and student activities in the special revenue funds.

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

Additionally, the District reports Fiduciary Funds. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The *Custodial Fund* consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District holds for others in an agency capacity (primarily scholarships).

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

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

E. Measurement Focus and Basis of Accounting

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

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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

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

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

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

F. Budgetary Information

1. Budgetary Basis of Accounting

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

The District's approved budgets were adopted at the function level for the General and Special Revenue Funds. These are the legal enacted levels under the State Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board (the level at which expenditures may not legally exceed appropriations).

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

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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

- a) In June, the superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally adopted by the Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted in June 26, 2023, or as amended by the Board of Education throughout the year.

2. Excess of Expenditures Over Appropriations

	APPROPRIATIONS		EXPENDITURES
General Fund			
Supporting Services			
Pupil	\$ 825,055	\$	828,189
Community Services			
Custody and Care of Children	76,190		80,840
Payments to Other Districts	21,548		49,150

These overages were funded by available fund balance and greater than anticipated revenues.

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

1. Cash and Cash Equivalents

The governments cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The government considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

2. Investments

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

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

- a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state. Some investments authorized by state law are shown as cash on the financial statements.
- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

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

3. Inventory and Prepaid Items

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

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

4. Capital Assets

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

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

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

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

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

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

5. *Compensated Absences*

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

6. *Long-Term Obligations*

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

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

7. *Unearned Revenue*

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

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position*. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnote 3.E and 3.F.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnote 3.E and 3.F.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

9. *Defined Benefit Plans*

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

10. *Net Position Flow Assumption*

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

11. *Fund Balance Flow Assumption*

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

12. *Fund Balance Policies*

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

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

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

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13. Use of Estimates

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

14. Restricted Assets

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

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2024, the foundation allowance was based on pupil membership counts taken in October 2023 and February 2023. For fiscal year ended June 30, 2024, the per pupil foundation allowance was \$9,608 for Kalkaska Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2023 to August 2024. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

2. Program Revenues

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

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3. Property Taxes

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

For the year ended June 30, 2024, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund – Non-Homestead	18.0000
General Fund – Non-Homestead Commercial Personal Property	6.0000
2010 QSCB Debt Service Fund – Homestead and Non-Homestead	1.9000
2010 QZAB Debt Service Fund – Homestead and Non-Homestead	0.3000
2021 Debt Service Fund – Homestead and Non-Homestead	1.4000

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2024.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2024, the District’s bank balance was \$1,954,413 and \$1,245,084 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. As of June 30, 2024, deposits of \$1,811,241 and petty cash of \$97 are reported on the financial statements as cash and cash equivalents.

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

	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment Pool - CMC	\$ 276,585	N/A
MILAF External Investment Pool - Max	7,232,938	N/A
	\$ 7,509,523	
Portfolio Weighted Average Maturity		N/A

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

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

	Fair Value	Standard & Poor's Rating
MILAF External Investment Pool - CMC	\$ 276,585	AAAm
MILAF External Investment Pool - Max	7,232,938	AAAm
	<u>\$ 7,509,523</u>	

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

Custodial credit risk –investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

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

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

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

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

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The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost	& Poor's Rating	%
MILAF External Investment Pool - CMC	\$ 276,585	AAAm	3.68%
MILAF External Investment Pool - Max	7,232,938	AAAm	
	\$ 7,509,523		3.68%

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2024:

	Governmental Funds	Fiduciary Fund	Total
Cash and Cash Equivalents	\$ 1,752,445	\$ 58,893	\$ 1,811,338
Investments	4,870,212	0	4,870,212
Restricted Investments	2,639,311	0	2,639,311
	\$ 9,261,968	\$ 58,893	\$ 9,320,861

B. Receivables and Unearned Revenue

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

	General Fund	2021 Capital Projects Fund	2010 QSCB Debt Service Fund	Nonmajor and Other Funds	Total
Receivables					
Accounts	\$ 4,256	\$ 0	\$ 0	\$ 1,222	\$ 5,478
Due from Other Governmental Units	2,611,681	165,183	1,620	60,096	2,838,580
Total Receivables	\$2,615,937	\$ 165,183	\$ 1,620	\$ 61,318	\$2,844,058

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

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, The District reported unearned revenue of \$651,490, which is made up of grant receipts and other revenue that has been received, but not yet earned along with money received from students for meals in advance.

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C. Capital Assets

Capital assets activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not being depreciated				
Land	\$ 1,356,500	\$ 0	\$ 0	\$ 1,356,500
Construction in Progress	8,794,452	5,062,828	8,740,324	5,116,956
Subtotal	<u>10,150,952</u>	<u>5,062,828</u>	<u>8,740,324</u>	<u>6,473,456</u>
Capital assets being depreciated				
Land Improvements	269,759	53,120	0	322,879
Buildings and additions	36,147,270	10,065,760	0	46,213,030
Furniture and equipment	4,008,002	1,147,649	261,033	4,894,618
Transportation equipment	863,849	0	0	863,849
Subtotal	<u>41,288,880</u>	<u>11,266,529</u>	<u>261,033</u>	<u>52,294,376</u>
Less accumulated depreciation for:				
Land Improvements	56,602	15,037	0	71,639
Buildings and additions	26,205,338	1,604,985	0	27,810,323
Furniture and equipment	2,694,599	468,395	261,033	2,901,961
Transportation equipment	337,652	70,386	0	408,038
Accumulated depreciation	<u>29,294,191</u>	<u>2,158,803</u>	<u>261,033</u>	<u>31,191,961</u>
Net capital assets being depreciated	<u>11,994,689</u>	<u>9,107,726</u>	<u>0</u>	<u>21,102,415</u>
Net capital assets	<u>\$ 22,145,641</u>	<u>\$ 14,170,554</u>	<u>\$ 8,740,324</u>	<u>\$ 27,575,871</u>

Depreciation for the fiscal year ended June 30, 2024, amounted to \$2,158,803. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Retirement and Postemployment Benefits

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

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

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

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Benefits Provided- Overall

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

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

Benefits Provided – Pension

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

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

Pension Reform 2010

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

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.

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

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

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

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

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

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

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

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

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

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Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018, and created a new, optional Pension Plus 2 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 Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other postemployment benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2023, were determined as of the September 30, 2020 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2020, are amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

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

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The District's pension contributions for the year ended June 30, 2024, were equal to the required contribution total. Total pension contributions were approximately \$3,756,000. Of the total pension contributions approximately \$3,659,000 was contributed to fund the Defined Benefit Plan and approximately \$97,000 was contributed to fund the Defined Contribution Fund.

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The District's OPEB contributions for the year ended June 30, 2024, were equal to the required contribution total. Total OPEB contributions were approximately \$733,000. Of the total OPEB contributions approximately \$675,000 was contributed to fund the Defined Benefit Plan and approximately \$58,000 was contributed to fund the Defined Contribution Fund.

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

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

Pension Liabilities

At June 30, 2024, the District reported a liability of \$28,027,214 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2022, and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2023 and 2022, the District's proportion was 0.08659444% and 0.08618512%.

MPSERS (Plan) Non-University Net Pension Liability

	September 30, 2023	September 30, 2022
Total Pension Liability	\$ 94,947,828,557	\$ 95,876,795,620
Fiduciary Net Position	(62,581,762,238)	(58,268,076,344)
Net Pension Liability	\$ 32,366,066,319	\$ 37,608,719,276
Fiduciary Net Position as a Percentage of		
Total Pension Liability	65.91%	60.77%
Net Pension Liability as a percentage of		
Covered Payroll	320.51%	386.25%

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

For the year ended June 30, 2024, the District recognized total pension expense of \$3,694,310.

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At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 884,734	\$ 42,933
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	1,768,517
Changes of assumptions	3,797,815	2,189,734
Net difference between projected and actual earnings on pension plan investments	0	573,528
Changes in proportion and differences between District contributions and proportionate share of contributions	365,906	770,927
District contributions subsequent to the measurement date	3,518,625	0
Total	<u>\$ 8,567,080</u>	<u>\$ 5,345,639</u>

\$3,518,625 reported as deferred outflows of resources and \$1,768,517 reported as deferred inflows or 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 subsequent fiscal year.

Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2024	\$ 567,592
2025	179,877
2026	1,123,615
2027	(399,751)
	<u>\$ 1,471,333</u>

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

OPEB Liabilities (Asset)

At June 30, 2024, the District reported a liability (asset) of (\$508,464) for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of September 30, 2023, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September

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30, 2022 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2023 and 2022, the District's proportion was 0.08988255% and 0.08273757%.

MPSERS (Plan) Non-University Employers Net OPEB Liability (Asset)

	September 30, 2023	September 30, 2022
Total OPEB Liability	\$ 11,223,648,949	\$ 12,522,713,324
Fiduciary Net Position	(11,789,347,341)	(10,404,650,683)
Net OPEB Liability (Asset)	\$ (565,698,392)	\$ 2,118,062,641
Fiduciary Net Position as a Percentage of Total OPEB Liability	105.04%	83.09%
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	-5.60%	21.75%

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

For the year ended June 30, 2024, the District recognized total OPEB benefit of \$783,472.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 3,842,216
Changes of assumptions	1,131,930	136,306
Net difference between projected and actual earnings on OPEB plan investments	1,550	0
Changes in proportion and differences between District contributions and proportionate share of contributions	498,495	379,089
District contributions subsequent to the measurement date	607,940	0
Total	\$ 2,239,915	\$ 4,357,611

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\$607,940 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2024	\$ (848,065)
2025	(816,751)
2026	(388,224)
2027	(348,494)
2028	(219,581)
Thereafter	(104,521)
	\$ (2,725,636)

G. Actuarial Assumptions

Investment rate of return for Pension – 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, and Pension Plus groups.

Investment rate of return for OPEB – 6.00% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation – 3.0%

Mortality assumptions –

Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-202 and adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2022. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

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The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan) and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

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

Healthcare cost trend rate for other postemployment benefit – Pre 65, 7.50% for year one and graded to 3.5% in year fifteen. Post 65, 6.25% for year one and graded to 3.5% in year fifteen.

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

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

Survivor Coverage – 80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverage continuing after the retiree’s death.

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

The target asset allocation at September 30, 2023 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.00%	5.80%
Private Equity Pools	16.00%	9.60%
International Equity Pools	15.00%	6.80%
Fixed Income Pools	13.00%	1.30%
Real Estate & Infrastructure Pools	10.00%	6.40%
Absolute Return Pools	9.00%	4.80%
Real Return/Opportunistic Pools	10.00%	7.30%
Short-Term Investment Pools	2.00%	0.30%
	<u>100%</u>	

*Long-term rate of return is net of administrative expenses and 2.7% inflation.

Rate of return

For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94% respectively. The money-

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weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate

A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate

A single discount rate of 6.00% was used to measure the total OPEB liability (asset). This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

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

The following presents the Districts’ proportionate share of the net pension liability calculated using a single discount rate of 6.00%, 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 than the current rate:

Pension				
	1% Decrease	Discount Rate	1% Increase	
\$	37,864,684	\$	28,027,214	\$ 19,837,164

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the District’s proportionate share of the net OPEB liability (asset) calculated using a single discount rate of 6.00%, as well as what the District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

OPEB				
	1% Decrease	Discount Rate	1% Increase	
\$	527,125	\$	(508,464)	\$ (1,398,451)

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

The following presents the District’s proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate as well as what the District’s proportionate share of the net other postemployment benefit liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

OPEB				
Current Healthcare Cost				
1% Decrease	Trend Rates		1% Increase	
\$	(1,400,670)	\$	(508,464)	\$ 457,195

H. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan’s fiduciary net position is available in the separately issued Michigan Public School Employees’ Retirement System 2023 Annual Comprehensive Financial Report.

I. Payables to the Pension and OPEB Plan

As of June 30, 2024, the District is current on all required pension and OPEB plan payments. As of June 30, 2024, the District reported payables in the amount of \$700,224 to the pension and OPEB plans. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

J. Risk Management

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

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

K. GASB Statement No. 96 – Subscription-based Information Technology Arrangements

It has been determined that the District has subscription-based information technology arrangements as defined by GASB Statement No. 96. However, the total of these subscription-based information technology arrangements has been determined they are not significant enough to warrant disclosure.

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L. Long-Term Obligations

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The following is a summary of the governmental long-term obligation transactions for the District for the year ended June 30, 2024:

	GENERAL OBLIGATION BONDS	UNAMORTIZED BOND PREMIUM	UNAMORTIZED BOND DISCOUNT	NET PENSION LIABILITY	COMPENSATED ABSENCES	TOTAL
Balance July 1, 2023	\$ 17,740,000	\$ 2,910,967	\$ (26,183)	\$ 32,413,120	\$ 8,074	\$ 53,045,978
Additions	1,500,000	0	0	3,120,960	0	4,620,960
Deletions	(2,100,000)	(242,581)	6,614	(7,506,866)	(8,074)	(9,850,907)
Balance June 30, 2024	17,140,000	2,668,386	(19,569)	28,027,214	0	47,816,031
Less current portion	(2,155,000)	0	0	Unknown	Unknown	(2,155,000)
Total due after one year	\$ 14,985,000	\$ 2,668,386	\$ (19,569)	\$ 28,027,214	\$ 0	\$ 45,661,031

The District's debt obligations at June 30, 2024, are comprised of the following issues:

General Obligation Bonds

2010 Qualified School Construction Bonds ("QSCB"), due in annual installments of \$1,300,000 to \$1,325,000 through May 2027 with interest rates of 6.40%	\$ 3,950,000
2010 Qualified Zone Academy ("QZAB"), due in principal installments of \$225,000 through May 2027, with interest rates of 6.40%	675,000
2024 School Building and Site Bonds, Series II, due in annual installments of \$100,000 to \$250,000 through May 2031, with interest of 4.53%.	1,500,000
2021 School Building and Site Bonds, Series I, due in annual installments of \$405,000 to \$1,655,000 through May 2035, with interest of 4.00% to 5.00%	<u>11,015,000</u>
Total General Obligation Bonds Payable	17,140,000
Unamortized Bond Premium	2,668,386
Unamortized Bond Discount	(19,569)
Net Pension Liability	<u>28,027,214</u>
Total Long-Term Obligations	<u>\$ 47,816,031</u>

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The annual requirements to amortize all long-term liability outstanding as of June 30, 2024, including interest payments of \$4,565,361 are as follows:

YEAR ENDING JUNE 30,	GENERAL OBLIGATION BONDS PAYABLE		TOTAL
	PRINCIPAL	INTEREST	
2025	\$ 2,155,000	\$ 910,543	\$ 3,065,543
2026	2,165,000	776,420	2,941,420
2027	2,265,000	651,507	2,916,507
2028	1,885,000	523,168	2,408,168
2029	1,245,000	429,998	1,674,998
2030-2034	6,215,000	1,213,225	7,428,225
2035-2036	1,210,000	60,500	1,270,500
	<u>\$ 17,140,000</u>	<u>\$ 4,565,361</u>	21,705,361
Net Pension Liability			28,027,214
Unamortized Bond Premium			2,668,386
Unamortized Bond Discount			(19,569)
			<u>\$ 52,381,392</u>

Interest expense for the year ended June 30, 2024, was approximately \$719,500.

The annual requirements to amortize net pension liability is uncertain because it is unknown when they will be used.

Net pension liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

M. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2024, were:

Receivable Fund	Payable Fund	Amount
Food Service Fund	General Fund	\$ 29,931
General Fund	2021 Debt Service Fund	5,281
General Fund	2010 QSCB Debt Service Fund	7,167
General Fund	2010 QZAB Debt Service Fund	1,132
General Fund	Student Activities Fund	21,767
2021 Debt Service Fund	2010 QSCB Debt Service Fund	11,633
2021 Capital Projects Fund	General Fund	656
		<u>\$ 77,567</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All Interfund balances outstanding at June 30, 2024, are expected to be repaid within one year.

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N. Interfund Transfers

Individual fund interfund receivable and payable balances at June 30, 2024, were:

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
General Fund	Food Service Fund	<u>\$ 19,000</u>

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

O. Other Information

1. Commitments and Contingencies

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

Prior to the end of the fiscal year, the District entered into contracts for a large construction project under the 2021 bond and 2024 bond of \$16,290,755, as of June 30, 2024, \$1,260,825 is remaining to be spent on the project. The District also approved the purchase of two propane buses for approximately \$285,000, \$72,500 of which will be funded by a state grant.

2. Single Audit

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

P. Capital Projects Funds

The 2021 and 2024 Capital Projects Funds include capital project activities funded with bonds. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete, and a subsequent year audit is expected.

NOTE 4 - OTHER INFORMATION

A. GASB Statement No. 77 – Tax Abatement Disclosures

It has been determined that the District has granted tax abatements as defined by GASB Statement No. 77. However, the total of these abatements is less than \$17,000 and it has been determined they are not significant enough to warrant disclosure.

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B. Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;

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- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

MAJOR FUNDS

YEAR ENDED JUNE 30, 2024

	GENERAL FUND			VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<u>REVENUES</u>				
Local Sources	\$ 7,435,528	\$ 7,312,976	\$ 7,486,247	\$ 173,271
State Sources	10,366,655	11,826,950	11,921,308	94,358
Federal Sources	1,511,750	1,527,226	1,441,137	(86,089)
Other Transactions	691,067	523,848	567,008	43,160
Total Revenues	20,005,000	21,191,000	21,415,700	224,700
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	10,665,767	10,802,608	10,658,879	(143,729)
Added Needs	2,591,388	2,580,465	2,568,438	(12,027)
Supporting Services				
Pupil	722,163	825,055	828,189	3,134
Instructional Staff	79,348	83,282	78,771	(4,511)
General Administration	495,922	506,801	485,900	(20,901)
School Administration	1,546,559	1,629,479	1,599,596	(29,883)
Business	461,203	486,551	473,937	(12,614)
Operation and Maintenance	2,009,087	2,055,472	2,048,367	(7,105)
Pupil Transportation Services	896,983	968,354	906,684	(61,670)
Central	427,533	425,773	386,848	(38,925)
Athletic Activities	425,359	503,268	496,008	(7,260)
Community Services				
Community Activities	23,910	23,910	22,482	(1,428)
Custody and Care of Children	75,850	76,190	80,840	4,650
Welfare Activities	0	18,244	2,045	(16,199)
Payments to Other Districts	15,928	21,548	49,150	27,602
Total Expenditures	20,437,000	21,007,000	20,686,134	(320,866)
Excess (Deficiency) of Revenues Over Expenditures	(432,000)	184,000	729,566	545,566
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	70,000	77,000	19,000	(58,000)
Net Change in Fund Balance	(362,000)	261,000	748,566	487,566
<u>FUND BALANCE - Beginning of Year</u>	3,733,355	3,733,355	3,733,355	0
<u>FUND BALANCE - End of Year</u>	\$ 3,371,355	\$ 3,994,355	\$ 4,481,921	\$ 487,566

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2024

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.08659%	0.08619%	0.90644%	0.08964%	0.08404%	0.08164%	0.08128%	0.08460%	0.08489%	0.08195%
District's proportionate share of net pension liability	\$ 28,027,214	\$ 32,413,120	\$ 21,460,253	\$ 30,791,178	\$ 27,830,408	\$ 24,543,645	\$ 21,063,990	\$ 21,107,482	\$ 20,734,305	\$ 18,050,010
District's covered payroll	8,944,441	8,006,241	8,079,735	8,146,496	7,411,849	6,996,887	6,663,250	7,138,312	7,227,149	6,998,917
District's proportionate share of net pension liability as a percentage of its covered payroll	313.35%	404.85%	265.61%	377.97%	375.49%	350.78%	316.12%	295.69%	286.89%	257.90%
Plan fiduciary net position as a percentage of total pension liability	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 3,659,412	\$ 3,087,811	\$ 2,951,297	\$ 2,737,721	\$ 2,389,731	\$ 2,221,738	\$ 2,057,762	\$ 1,911,433	\$ 2,036,728	\$ 1,932,651
Contributions in relation to statutorily required contributions *	3,659,412	3,087,811	2,951,297	2,737,721	2,389,731	2,221,738	2,057,762	1,911,433	2,036,728	1,932,651
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 9,044,862	\$ 8,722,630	\$ 8,008,936	\$ 8,060,324	\$ 7,741,233	\$ 7,292,472	\$ 6,923,094	\$ 6,700,137	\$ 7,476,742	\$ 8,457,252
Contributions as a percentage of covered payroll	40.46%	35.40%	36.85%	33.97%	30.87%	30.47%	29.72%	28.53%	27.24%	22.85%

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

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

JUNE 30, 2024

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (asset) (%)				0.08988%	0.08274%	0.08967%	0.09209%	0.08492%	0.08242%	0.08143%
District's proportionate share of net OPEB liability (asset)		\$ (508,464)	\$ 1,752,434	\$ 1,368,662	\$ 4,933,472	\$ 6,095,037	\$ 6,551,692	\$ 7,211,355		
District's covered payroll		8,944,441	8,006,241	8,079,735	8,146,496	7,411,849	6,996,887	6,663,250		
District's proportionate share of net OPEB liability (asset) as a percentage of its covered payroll		-5.68%	21.89%	16.94%	60.56%	82.23%	93.64%	108.23%		
Plan fiduciary net position as a percentage of total OPEB liability (asset)		105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%		

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2024

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Statutorily required contributions	\$ 503,211	\$ 559,776	\$ 601,301	\$ 638,853	\$ 612,429	\$ 651,699	\$ 674,773	\$ 651,699	\$ 674,773	\$ 674,773
Contributions in relation to statutorily required contributions *	503,211	559,776	601,301	638,853	612,429	651,699	674,773	651,699	674,773	674,773
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered payroll	\$ 6,923,094	\$ 7,292,472	\$ 7,741,233	\$ 8,060,324	\$ 8,008,936	\$ 8,722,630	\$ 9,044,862	\$ 8,722,630	\$ 9,044,862	\$ 9,044,862
Contributions as a percentage of covered payroll	7.27%	7.68%	7.77%	7.93%	7.65%	7.47%	7.46%	7.47%	7.46%	7.46%

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

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2024

Pension Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2023.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2023, were:

Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

OPEB Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2023.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2023, were:

Healthcare cost trend rate

- Pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
- Post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen.

Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2024

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE	STUDENT ACTIVITIES	2021 DEBT	2010 QZAB	
\$	335,941	\$ 467,916	\$ 0	\$ 0	\$ 803,857
Investments	0	0	336,822	60,456	397,278
Accounts Receivable	1,222	0	0	0	1,222
Due from Other Funds	29,931	0	11,633	0	41,564
Due from Other Governmental Units	36,698	0	1,194	22,204	60,096
Inventory	8,507	0	0	0	8,507
TOTAL ASSETS	\$ 412,299	\$ 467,916	\$ 349,649	\$ 82,660	\$ 1,312,524

LIABILITIES AND FUND BALANCES

\$	1,386	\$ 12,598	\$ 0	\$ 0	\$ 13,984
Accounts Payable	0	21,767	5,281	1,132	28,180
Due to Other Funds	2,656	0	0	0	2,656
Unearned Revenue					
Total Liabilities	4,042	34,365	5,281	1,132	44,820

FUND BALANCES

Nonspendable					
Inventory	8,507	0	0	0	8,507
Restricted					
Food Service	399,750	0	0	0	399,750
Debt Service	0	0	344,368	81,528	425,896
Assigned					
Student Activities	0	433,551	0	0	433,551
Total Fund Balances	408,257	433,551	344,368	81,528	1,267,704

**TOTAL LIABILITIES
AND FUND BALANCES**

\$	412,299	\$ 467,916	\$ 349,649	\$ 82,660	\$ 1,312,524
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KALKASKA PUBLIC SCHOOLS
KALKASKA, MICHIGAN

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

YEAR ENDED JUNE 30, 2024

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE	STUDENT ACTIVITIES	2021 DEBT	2010 QZAB	
<u>REVENUES</u>					
Local Sources	\$ 72,635	\$ 288,325	\$ 1,101,180	\$ 236,590	\$ 1,698,730
State Sources	203,905	0	16,434	3,522	223,861
Federal Sources	1,109,512	0	0	43,897	1,153,409
Total Revenues	1,386,052	288,325	1,117,614	284,009	3,076,000
<u>EXPENDITURES</u>					
Supporting Services	0	276,405	0	0	276,405
Food Services	1,313,542	0	0	0	1,313,542
Debt Service	0	0	550,000	200,000	750,000
Principal	0	0	564,598	57,328	621,926
Interest and Fiscal Charges					
Total Expenditures	1,313,542	276,405	1,114,598	257,328	2,961,873
Excess (Deficiency) of Revenues Over Expenditures	72,510	11,920	3,016	26,681	114,127
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers Out	(19,000)	0	0	0	(19,000)
Net Change in Fund Balance	53,510	11,920	3,016	26,681	95,127
<u>FUND BALANCE - Beginning of Year</u>	354,747	421,631	341,352	54,847	1,172,577
<u>FUND BALANCE - End of Year</u>	\$ 408,257	\$ 433,551	\$ 344,368	\$ 81,528	\$ 1,267,704

