Kaleva Norman Dickson School District

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2019

Dennis, Gartland & Niergarth

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Kaleva Norman Dickson School District's (the "District") annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. It is to be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's financial status slightly increased during the year due to stable student count and control of expenditures.

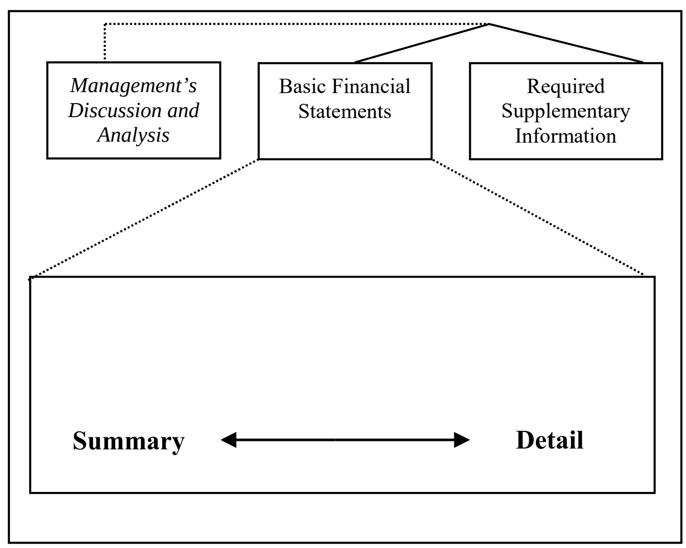
- The State of Michigan foundation grant increased by $239 from $7,650 to $7,889.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

Figure A-1
Kaleva Norman Dickson Schools
Annual Financial Report



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

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

	District-wide Statements	Fund Financial Statements: Governmental Funds	Fund Financial Statements: Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, the District's funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

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

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

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

- To assess the overall health of the District, consideration must be given to additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (repayment of long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The following schedule summarizes net position at June 30, 2019 and 2018:

Table A-3
KND's Net Position

	2019	2018
Current and other assets	$ 3,188,928	$ 3,173,377
Capital assets	4,060,772	4,368,371
Deferred outflows of resources	2,835,740	1,448,808
Total assets and deferred outflows of resources	$ 10,085,440	$ 8,990,556
Current liabilities	$ 1,728,089	$ 1,703,001
Long-term liabilities	4,091,548	4,937,513
Net pension obligation	8,584,467	7,453,493
Net OPEB obligation	2,273,043	2,561,550
Deferred inflows of resources	1,351,755	705,615
Total liabilities and deferred inflows of resources	18,028,902	17,361,172
Net position (deficit)		
Invested in capital assets, net of related debt	(694,482)	(1,110,030)
Restricted	219,654	213,924
Unrestricted	(7,468,634)	(7,474,510)
Total net deficit	$ (7,943,462)	$ (8,370,616)

For the fiscal years ended June 30, the results of operations, on a district wide basis, were as follows:

Table A-4

	2019	2018
Revenues		
Property taxes, levied for general purposes	$ 2,277,459	$ 2,216,801
Property taxes, levied for debt services	935,485	905,026
State aid not restricted to specific purposes	2,208,287	2,192,873
Interest and other	254,079	167,309
Charges for services	76,770	102,147
Operating grants/contributions	1,012,764	1,017,180
Total revenues	6,764,844	6,601,336
Expenses		
Instruction	3,029,021	2,939,332
Support services	2,376,840	2,215,248
Food services	345,021	333,062
Other	4,855	5,144
Interest on long-term debt	173,066	239,168
Depreciation - unallocated	408,887	410,924
Total expenses	6,337,690	6,142,878
Increase in net position	427,154	458,458
Net deficit - beginning of year	(8,370,616)	(8,829,074)
Net deficit - end of year	$ (7,943,462)	$ (8,370,616)

PENSION AND OPEB EXPENSE/LIABILITY

GASB 68 and GASB 75 require 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 decrease in net position depending on whether the District's proportionate share of the net pension and net OPEB liabilities increases or decreases in any given year. For the year ended June 30, 2019, the District recorded $8,584,467 and $2,273,043 as their proportionate share of the net pension and net OPEB liabilities, respectively.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported *combined* fund balances of $2,385,997 which is above last year's ending fund balances of $2,228,729. The general fund increased $54,430, and the Building and Site fund and non-major funds increased as well.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual General Fund operating budget several times. These budget amendments are:

- Changes made in the third and fourth quarters to account for final enrollment counts, staffing assignments and changes in grant funding since the original budget was adopted.

- The District's final budget for the general fund anticipated that the excess of expenditures over revenues would be $237,184 and the actual excess of revenues over expenditures was $54,430, which was due to conservative budgeting of expense line items.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Depreciable assets for the 2018 - 2019 school year totaled $18,229,625. During the year, the District invested an additional $101,288 in furniture and equipment, and disposed of $174,217 of furniture and equipment.

Table A-5
KND's Capital Assets

	Beginning Balance	Additions/ (Deletions)	Ending Balance
Capital assets not being depreciated:			
Land	$ 73,653	$ -	$ 73,653
Capital assets being depreciated:			
Building improvements	15,621,514	-	15,621,514
Furniture and equipment	1,864,590	16,427	1,881,017
Buses and vehicles	816,450	(89,356)	727,094
Total capital assets being depreciated	18,302,554	(72,929)	18,229,625
Accumulated depreciation	(14,007,836)	(234,670)	(14,242,506)
Total capital assets, net	$ 4,368,371	$ (307,599)	$ 4,060,772

Long-term Debt

At year-end, the District had $4,640,000 in general obligation bonds and $304,337 in other long-term liabilities.

Table A-6
KND's Outstanding Long-Term Debt

	Beginning Balance	Additions/ (Deletions)	Ending Balance
General obligation debts			
(financed with property taxes)	$ 5,475,000	$ (835,000)	$ 4,640,000
Notes payable	15,267	(15,267)	-
Accumulated leave liability	99,274	(5,373)	93,901
Unamortized refinancing costs	71,317	139,119	210,436
Total	$ 5,660,858	$ (716,521)	$ 4,944,337

(More detailed information about the District's long-term liabilities is presented in Note F to the financial statements.)

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The 2019 -2020 foundation allowance will increase by a range from $120 - $240. Student enrollment is always fluctuating and a concern that will be closely monitored.

- The Board of Education and the KND Education Association have a contract through August 2020.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Kaleva Norman Dickson School District's Business Office at 772 East Parkdale Ave, Manistee, MI 49660.

DENNIS, GARTLAND & NIERGARTH
Celebrating 45 Years of Service

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Shelly A. Ashmore, CPA
James M. Taylor, CPA
Trina B. Edwards, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Education
Kaleva Norman Dickson School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the ***Kaleva Norman Dickson School District*** (the "School District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Kaleva Norman Dickson School District as of June 30, 2019, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i* through *vii*, budgetary comparison information on page 38, pension contribution schedules on page 39 and OPEB contributions schedules on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major 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 October 8, 2019 on our consideration of the School District's 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 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 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 the School District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

October 8, 2019

Kaleva Norman Dickson School District

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current assets	
Cash and cash equivalents	$ 2,588,850
Due from other governments	584,481
Prepaid expenses	15,597
Total current assets	3,188,928
Non-current assets	
Capital assets, net of accumulated depreciation	4,060,772
Total assets	7,249,700
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	95,182
Deferred outflows of resources for pension obligation	2,347,910
Deferred outflows of resources for OPEB obligation	392,648
Total deferred outflows of resources	2,835,740
Total assets and deferred outflows of resources	$ 10,085,440
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	$ 58,207
Salaries and related liabilities	502,075
Accrued interest	72,369
Unearned revenue	242,649
Current portion of long-term liabilities	852,789
Total current liabilities	1,728,089
Non-current portion of long-term obligations	4,091,548
Net pension obligation	8,584,467
Net OPEB obligation	2,273,043
Total liabilities	16,677,147
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pension obligation	815,970
Deferred inflows of resources for OPEB obligation	535,785
Total deferred inflows of resources	1,351,755
NET POSITION	
Invested in capital assets, net of related debt	(694,482)
Restricted for	
Food Service	108,254
Debt Service	111,400
Unrestricted (deficit)	(7,468,634)
Total net position	(7,943,462)
Total liabilities, deferred inflows of resources and net position	$ 10,085,440

The accompanying notes are an integral part of these financial statements.

Kaleva Norman Dickson School District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Functions/Program	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Net (Expense)/ Revenue and Changes in Net Position: Governmental Activities
Governmental activities				
Instruction	$ 3,029,021	$ -	$ 379,878	$ (2,649,143)
Supporting services	2,376,840	39,900	327,266	(2,009,674)
Food service	345,021	36,870	305,620	(2,531)
Other	4,855	-	-	(4,855)
Interest on long-term debt	173,066	-	-	(173,066)
Depreciation - unallocated	408,887	-	-	(408,887)
Total governmental activities	$ 6,337,690	$ 76,770	$ 1,012,764	(5,248,156)
General purpose revenues				
Property taxes				
Levied for general purposes				2,277,459
Levied for Debt Service				935,485
State school aid - unrestricted				2,208,287
Investments and other				254,079
Total general purpose revenues				5,675,310
Change in net position				427,154
Net position, beginning of year				(8,370,616)
Net position, end of year				$ (7,943,462)

Kaleva Norman Dickson School District

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Building and Site Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,745,036	$ 642,691	$ 201,123	$ 2,588,850
Due from other governments	563,479	-	21,002	584,481
Due from other funds	16,930	56,259	92,037	165,226
Prepaid expenditures	15,147	-	450	15,597
Total assets	$ 2,340,592	$ 698,950	$ 314,612	$ 3,354,154
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 50,106	$ 8,101	$ -	$ 58,207
Salaries payable and related liabilities	497,664	-	4,411	502,075
Unearned revenue	241,400	-	1,249	242,649
Due to other funds	148,297	-	16,929	165,226
Total liabilities	937,467	8,101	22,589	968,157
FUND BALANCES				
Nonspendable	15,147	-	450	15,597
Restricted				
Food Service	-	-	107,804	107,804
Debt Service	-	-	183,769	183,769
Committed for subsequent year expenditures	248,117	-	-	248,117
Assigned				
Compensated absences	93,901	-	-	93,901
Bus purchases	17,600	-	-	17,600
Technology purchases	189,000	-	-	189,000
Capital projects	-	690,849	-	690,849
Unassigned	839,360	-	-	839,360
Total fund balances	1,403,125	690,849	292,023	2,385,997
Total liabilities and fund balances	$ 2,340,592	$ 698,950	$ 314,612	

Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $18,303,278 and the accumulated depreciation is $14,242,506.		4,060,772
Deferred outflows of resources are not a financial resource and, therefore, are not reported as assets in governmental funds.		
Deferred loss on refunding	$ 95,182	
Pension obligation	2,347,910	
OPEB obligation	392,648	2,835,740
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and notes payable	(4,640,000)	
Accrued interest on bonds	(72,369)	
Accumulated leave liability	(93,901)	
Unamortized bond premium	(210,436)	
Net pension obligation	(8,584,467)	
Net OPEB obligation	(2,273,043)	(15,874,216)
Deferred inflows of resources are not a financial resource and, therefore, are not reported as a liability in governmental funds.		
Pension obligation	(815,970)	
OPEB obligation	(535,785)	(1,351,755)
Total net position - governmental activities		$ (7,943,462)

The accompanying notes are an integral part of these financial statements.

Kaleva Norman Dickson School District

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2019

	General Fund	Building and Site Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 2,277,459	$ -	$ 935,485	$ 3,212,944
Interest	24,462	10,640	549	35,651
State revenues	2,573,166	-	12,598	2,585,764
Federal revenues	317,240	2,080	294,639	613,959
Other	177,221	55,127	69,178	301,526
Total revenues	5,369,548	67,847	1,312,449	6,749,844
Expenditures				
Instruction	2,960,285	-	-	2,960,285
Supporting services	2,226,580	-	-	2,226,580
Food service	-	-	345,021	345,021
Other	4,855	-	-	4,855
Debt service				
Principal	15,267	-	695,000	710,267
Interest	4,649	-	131,056	135,705
Other	4,875	-	700	5,575
Capital outlay	110,160	8,100	9,528	127,788
Total expenditures	5,326,671	8,100	1,181,305	6,516,076
REVENUES OVER EXPENDITURES	42,877	59,747	131,144	233,768
Other financing sources (uses)				
Operating transfers in	-	-	3,447	3,447
Operating transfers out	(3,447)	-	-	(3,447)
Proceeds from sale of assets	15,000	-	-	15,000
Proceeds from refunding bonds	-	-	3,635,601	3,635,601
Payments to refunded bond escrow agent	-	-	(3,636,645)	(3,636,645)
Bond issuance costs	-	-	(90,456)	(90,456)
Total other financing sources (uses)	11,553	-	(88,053)	(76,500)
REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	54,430	59,747	43,091	157,268
Fund balance, beginning of year	1,348,695	631,102	248,932	2,228,729
Fund balance, end of year	$ 1,403,125	$ 690,849	$ 292,023	$ 2,385,997

Kaleva Norman Dickson School District

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Total Net Change in Fund Balances - Governmental Funds			$ 157,268
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, costs that meet the capitalization policy are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.			
	Capital outlays	$ 101,288	
	Depreciation expense	(408,887)	(307,599)
Change in deferred outflows of resources for:			
	Deferred loss on refunding	11,999	
	Pension obligation	1,131,576	
	OPEB obligation	243,357	1,386,932
Repayment of bond principal (including refunding) and notes payable are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net position and do not affect the statement of activities.			4,290,267
The amount financed by the bond proceeds is reported in the governmental funds as a source of financing. On the other hand, bond proceeds are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position.			(3,440,000)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the statement of activities is the net result of the increase in accrued interest on bonds and notes payable.			(37,361)
In the statement of activities, certain operating expenses - accumulated leave - is measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, sick time earned was less than the amounts used by $5,373.			5,373
Amortization of bond premium.			(139,119)
Change in net pension obligation.			(1,130,974)
Change in net OPEB obligation.			288,507
Change in deferred inflows of resources for:			
	Pension obligation	(196,954)	
	OPEB obligation	(449,186)	(646,140)
Changes in Net Position of Governmental Activities			$ 427,154

Kaleva Norman Dickson School District

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 86,757
Investments	13,350
Total assets	$ 100,107
LIABILITIES	
Due to student groups	$ 100,107

The accompanying notes are an integral part of these financial statements.

Kaleva Norman Dickson School District

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Kaleva Norman Dickson School District (the "School District") is a Michigan public school district consisting of one building serving elementary through high school students. The School District primarily serves the Kaleva and Wellston communities. As of June 30, 2019, the School District employed 28 professional staff and 46 non-professional staff, and had 518 students enrolled.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The School District is considered to be a local government unit.

The accounting and reporting framework, and the more significant accounting principles and practices of the School District are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2019.

Financial Reporting Entity

Kaleva Norman Dickson School District is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other State and local governments. The financial reporting entity of Kaleva Norman Dickson School District includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature and significance of their relationship with the School District, must be included to prevent the School District's financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, management has not identified any component units. Student, parent and teacher organizations are not included, except to the extent that the School District holds assets in the capacity of an agent.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole, except for its fiduciary activities. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and School District general revenues.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the School District's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the School District's governmental funds are presented after the government-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School District are prepared in accordance with generally accepted accounting principles ("GAAP"). The School District's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

The government-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available, if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Fund Types and Major Funds

Activities in Major Funds

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those accounted for in another fund.

The Building and Site Fund is a capital projects fund and is used to account for financial resources to be used for the acquisition or construction of capital assets.

Other Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are committed or restricted to expenditures for specified purposes. The Special Revenue Fund maintained by the School District is the Food Service Fund.

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, bond principal, interest and related costs. The Debt Service Funds maintained by the School Districts are for the 2009, 2011 and 2013 bonds.

Fiduciary Funds

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

Cash and Cash Equivalents

The School District's reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 5 to 50 years. The School District generally capitalizes assets with costs of $5,000 or more as purchase and construction outlays occur. No depreciation is recorded on land or construction-in-process. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Buildings and improvements	20-50	years
Furniture and equipment	5-20	years
Buses and vehicles	8	years

Long-term Debt and Bond Discounts/Premiums

In the district-wide financial statements, outstanding debt is reported as a liability. Bond discounts and premiums are deferred and amortized over the life of the bonds. Bond issuance costs are expensed as incurred. The difference between the reacquisition price and carrying value of defeased bonds is reported as deferred inflows/outflows and amortized over the life of the refunding bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the period in which the bonds were issued. 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures. Debt service payments are reported as expenditures, and amounts paid to refund debt are reported as an other financing use.

Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement of Financial Position includes separate financial statement elements for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has a deferred loss on debt refunding reported in the government-wide statement of net position, which qualifies for reporting as a deferred outflow of resources. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources represent an addition to net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public 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.

Post-Employment Benefits Other than Pensions (OPEB)

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

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board of Education through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the School District Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

Spending Policy

When both restricted and unrestricted fund balances are available for use, it is the School District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the School District's general revenues.

The School District's most significant program revenues are Title I, At-Risk and School Lunch Program, which are reported as operating grants and contributions.

Encumbrance Accounting

The School District formally records encumbrances in the accounting records during the year as a normal practice. In accordance with generally accepted accounting principles, outstanding encumbrances at year-end for which goods or services are received are reclassified as expenditures and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either canceled or are included as reappropriations of fund balance for the subsequent year.

Allocation of Expenses

The School District reports each function's direct expenses, those that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The School District has elected to not allocate indirect expenses.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE B - BUDGETARY POLICY AND PRACTICE

The School District has adopted these procedures in establishing the budgets as reflected in the financial statements.

1. As early as possible in the preceding fiscal year (generally in the spring), the Superintendent formulates preliminary budgets for the coming year, which he submits to the Board of Education for their review.

2. A public hearing is held prior to June 30 on the proposed budgets to obtain taxpayer comments.

3. The Board of Education reviews the proposed budget and then in June adopts a formal resolution approving the needed appropriations for the coming operating year.

4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Board of Education.

5. It is the Superintendent's responsibility to supervise and monitor the budget process. He does this by reviewing the monthly financial data and reporting and recommending any needed amendments to the Board of Education.

6. The budget is adopted on a basis consistent with generally accepted accounting principles.

7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Board of Education.

8. All annual appropriations lapse at fiscal year-end.

NOTE C - CASH AND INVESTMENTS

At June 30, 2019, the School District's cash and investments include the following:

	Balance Sheet Classification		
	Cash and Equivalents	Investments	Total
Cash on hand	$ 1,745	$ -	$ 1,745
Bank deposits	666,910	13,350	680,260
Investments	2,006,952	-	2,006,952
	$ 2,675,607	$ 13,350	$ 2,688,957

Bank Deposits

All of the School District's bank deposits are with financial institutions which provide FDIC insurance coverage.

Custodial Credit Risk - Deposits

As of June 30, 2019, $377,807 of the School District's bank balance of $689,315 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The School District's investment policy permits investments in the following vehicles:

1. Bonds and other obligations of the United States; the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificate of deposits issued by financial institutions organized and authorized to operate in Michigan.
3. Certain commercial paper.
4. Securities issued or guaranteed by agencies or instruments of the United States government.
5. United States government Federal agency obligation repurchase agreements.
6. Banker's acceptance issued by a bank that is a member of the FDIC.
7. Certain mutual funds.
8. Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982.

Investments at June 30, 2019 consisted of the following:

		Investment Maturities (in years)			
Investment Type	Fair Value	Current	1-5	6-10	More than 10
MILAF	$ 2,006,952	$ 2,006,952	$ -	$ -	$ -
Certificates of Deposit	13,350	13,350	-	-	-
	$ 2,020,302	$ 2,020,302	$ -	$ -	$ -

Interest Rate Risk

The School District attempts to 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 short-term securities or Michigan Liquid Asset Funds ("MILAF"), and limiting the average maturity. MILAF investments are carried at amortized cost and are not subject to any withdrawal restrictions.

Credit Risk

The School District's investment policy limits investments in commercial paper to a prime or better rating at the time of purchase and maturing not more than 270 days after the date of purchase. As of June 30, 2019, the School District's investment in the MILAF investment pool was rated AAAm by Standard & Poor's.

NOTE D - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE

Property Taxes Receivable, Unearned Revenue and Property Tax Calendar

Property taxes are levied, billed and attached as enforceable liens in July and December of the School District's fiscal year. Townships within the School District collect and remit taxes until February 15, at which time the uncollected real property taxes are turned over to the counties as delinquent. Delinquent real property taxes are funded by the county and remitted to the School District. Delinquent personal property tax remains a receivable until collected from the taxpayer by the townships and remitted to the School District. In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows of resources. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the School District regardless of when cash is received. Over time, substantially all property taxes are collected.

During the fiscal year, $18 per $1,000 of equalized non-principal residence property value of $126.3 million and $6 per $1,000 of equalized commercial personal property value of $0.58 million was levied for general operating purposes. For debt service purposes, $4.15 per $1,000 of equalized principal, non-principal residence property and commercial personal property value of $226.3 million was levied for bonded debt repayments by the Debt Service Funds.

Intergovernmental Receivables and Unearned Revenue

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Grant revenues are deferred in the governmental fund financial statements and included in unearned revenue.

Amounts due from other governments at June 30, 2019 are as follows:

State of Michigan State Aid	$ 478,713
Federal grants	70,335
Other local sources	35,433
	$ 584,481

NOTE E - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consist of the following:

	Beginning Balance	Additions	Retirements	Ending Balance
Buildings and improvements	$ 15,621,514	$ -	$ -	$ 15,621,514
Furniture and equipment	1,864,590	16,427	-	1,881,017
Buses and vehicles	816,450	84,861	(174,217)	727,094
Total depreciable assets	18,302,554	101,288	(174,217)	18,229,625
Less accumulated depreciation	(14,007,836)	(408,887)	174,217	(14,242,506)
Land	73,653	-	-	73,653
Total capital assets, net	$ 4,368,371	$ (307,599)	$ -	$ 4,060,772

Depreciation expense was charged to the function in the statement of activities, as follows:

Unallocated	$ 408,887

NOTE F - LONG-TERM LIABILITIES

Changes in long-term debt during the year ended June 30, 2019 were as follows:

	Beginning Balance	New Debt	Payments/ Defeased	Ending Balance	Current Portion
General obligation bonds	$ 5,475,000	$ 3,440,000	$ (4,275,000)	$ 4,640,000	$ 815,000
Notes payable	15,267	-	(15,267)	-	-
Accumulated leave liability	99,274	-	(5,373)	93,901	-
Unamortized bond premium	71,317	195,601	(56,482)	210,436	37,789
Total long-term debt	$ 5,660,858	$ 3,635,601	$ (4,352,122)	$ 4,944,337	$ 852,789

Payments on general obligation bonds are made by the Debt Service Funds. Payments on notes payable and leases are made by the General Fund. The accumulated leave liability will be liquidated primarily by the General Fund.

At June 30, 2019, the School District's long-term debt consisted of the following:

General Obligation Bonds	
$2,060,000 2013 School District Refunding General Obligation Bonds for the advance refunding of the School District's 2005 bond issue; due in annual installments of $180,000 to $215,000 through May 2025; interest rate of 2.0% to 3.0%.	$ 1,200,000
$3,440,000 2019 School District Refunding General Obligation Bonds for the advance refunding of the School District's 2009 and 2011 bond issues; due in annual installments of $500,000 to $635,000 through May 2025; interest rate of 3.0% to 4.0%.	3,440,000
Total general obligation bonds	4,640,000
Accumulated leave liability	93,901
Unamortized bond premium	210,436
Total long-term debt	$ 4,944,337

Total annual requirements to amortize bonds as of June 30, 2019 are as follows:

Years Ending June 30,	Principal	Interest
2020	$ 815,000	$ 186,816
2021	690,000	127,626
2022	725,000	103,825
2023	760,000	83,575
2024	800,000	61,800
2025	850,000	31,850
	$ 4,640,000	$ 595,492

Interest expense for the year ended June 30, 2019 was $173,066 and interest paid was $135,705.

Accumulated Leave Liability

Employees of the School District accumulate days of compensated sick leave, as specified by the bargaining units' contract. This benefit vests after 10 years of employment. Upon either resignation or retirement, the employees are compensated at daily rates specified in the bargaining units' contracts.

Reacquisition Price Over Net Carrying Amount of Defeased Debt

	Beginning Balance	Additions	Amortization / Defeased	Ending Balance
Total deferred outflows	$ 83,183	$ 62,658	$ (50,659)	$ 95,182

In-Substance Defeasance

On January 14, 2019, the School District issued $3,440,000 in general obligation refunding bonds with interest rates ranging from 3.00% to 4.00% to extinguish $3,580,000 of outstanding 2009 and 2011 School District Refunding bonds with an average remaining interest rate ranging from 4.00% to 4.46%. The refunding was undertaken to lower interest costs and reduce the School District's annual debt service requirements.

The net proceeds of $3,636,645 (including a premium of $195,601 and after payment of expenses of $90,456 for bond insurance, issuance costs and underwriter's discount) plus $91,500 from debt service funds were deposited with an escrow agent to provide for the redemption of the $3,580,000 outstanding 2009 and 2011 refunding bonds.

The bond refunding decreases the School District's total debt service payments by $211,243 over 7 years and yields an economic gain (the difference between the present value of the debt service payments on the old and new debt) of $188,904.

NOTE G - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; unemployment benefits; and natural disasters. The School District manages its risk exposures and provides certain employee benefits through a combination of self-insurance and risk management pools.

The School District pays unemployment claims on a reimbursement basis through the Bureau of Workers' and Unemployment Compensation ("BWUC"). As BWUC pays eligible recipients benefits, this amount is billed to Kaleva Norman Dickson School District. At June 30, 2019, there were no significant unbilled claims.

The School District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review, and processing services for all member governments pursuant to its charter.

The School District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its General and Member Retention Funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the Member Retention Fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the School District's General Fund.

NOTE H - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

Fund	Interfund Receivable	Interfund Payable
Major Governmental Funds		
General Fund	$ 16,930	$ 148,297
Building and Site Fund	56,259	-
Non-Major Governmental Funds		
Food Service Fund	92,037	-
2009 Debt Service Fund	-	3,111
2011 Debt Service Fund	-	11,130
2013 Debt Service Fund	-	2,688
	$ 165,226	$ 165,226

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The following schedule reports transfers and payments within the reporting entity:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	$ -	$ 3,447
Non-Major Governmental Funds		
Food Service Fund	3,447	-
	$ 3,447	$ 3,447

NOTE I - PENSION PLAN

Plan Description

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

The System's 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 (1980 PA 300 as amended).

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

The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit ("DB") pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation ("FAC"). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period.

There is no mandatory retirement age.

Funding Policy

Defined Contribution Plan

Employer contributions to the Plan are dependent on the plan elected by the participant.

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2017 will be amortized over a 21 year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year September 30, 2018:

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0-4.0%	17.89%
Member Investment Plan	3.0-7.0%	17.89%
Pension Plus	3.0-6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the School District were $777,588 for the year ended September 30, 2018.

The School District's contributions to the MPSERS Defined Contribution Plan were $37,742, for the year ended June 30, 2019, which is equal to the pension expense recognized by the School District for the year.

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

At June 30, 2019, the School District reported a liability of $8,584,467 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2017. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the systems employers during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2018, the School District's proportion was 0.02855606%, which was a decrease of 0.00020608% from its proportion measured as of September 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of $962,809. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 39,834	$ 62,382
Changes of assumptions	1,988,156	-
Net difference between projected and actual earnings on pension plan investments	-	586,959
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,309	166,629
School District contributions subsequent to the measurement date	310,611	-
Total	$ 2,347,910	$ 815,970

From the above table, $310,611 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2019	$ 463,603
2020	373,031
2021	274,946
2022	109,749
Total	$ 1,221,329

Actuarial Assumptions

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

Additional information as of the latest actual valuation follows:

Summary of Actuarial Assumptions

Valuation Date:		September 30, 2017
Actuarial Cost Method:		Entry Age, Normal
Wage Inflation Rate:		2.75%
Investment Rate of Return		
MIP and Basic Plans:		7.05%
Pension Plus Plan:		7.0%
Pension Plus 2 Plan:		6.0%
Projected Salary Increases:		2.75-11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:		3% Annual Non-Compounded for MIP Members
Mortality:	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304 for non-university employers.
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Private Equity	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short-Term Investment Pools	2.0	0.0
	100.0 %	

**Long-term rate of return does not include 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Pension Plus Plan, 6.0% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (6.05% / 6.0% / 5.0%)	Current Single Discount Rate Assumption (7.05% / 7.0% / 6.0%)	1% Increase (8.05% / 8.0% / 7.0%)
$ 11,270,742	$ 8,584,467	$ 6,352,609

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Comprehensive Annual Financial Report ("CAFR") available at: www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System ("MPSERS")

The School District reported $92,758 and $1,989 payable to the plan at June 30, 2019 for legally required defined benefit and defined contribution plan contributions, respectively.

NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

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

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

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

Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	6.44%
Personal Healthcare Fund (PHF)	0.00%	6.13%

Required contributions to the OPEB plan from the School District were $185,612 for the year ended September 30, 2018.

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

At June 30, 2019, the School District reported a liability of $2,273,043 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2017. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the systems during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.02859550%, which was a decrease of 0.00033069% from its proportion measured as of October 1, 2017.

For the year ended June 30, 2019, the School District recognized OPEB expense of $106,669. At June 30, 2019, the School 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	$ -	$ 423,072
Changes of assumptions	240,716	-
Net difference between projected and actual earnings on OPEB plan investments	-	87,358
Changes in proportion and differences between School District contributions and proportionate share of contributions	4,247	25,355
School District contributions subsequent to the measurement date	147,685	-
Total	$ 392,648	$ 535,785

From the above table, $147,685 reported as contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Amount
2019	$ (70,896)
2020	(70,896)
2021	(70,896)
2022	(53,708)
2023	(24,426)
Total	$ (290,822)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:		September 30, 2017
Actuarial Cost Method:		Entry Age, Normal
Wage Inflation Rate:		2.75%
Investment Rate of Return:		7.15%
Projected Salary Increases:		2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:		7.5% Year 1 graded to 3.5% Year 12
Mortality:	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions

Opt Out Assumptions:	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage:	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018 for non-university employers.
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.0
Short-Term Investment Pools	2.0	0.0
	100.0 %	

**Long-term rate of return does not include 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
$ 2,728,741	$ 2,273,043	$ 1,889,744

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 1,869,552	$ 2,273,043	$ 2,735,928

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

The School District reported $25,443 payable to the Plan at June 30, 2019 for the OPEB liability.

NOTE K - COMMITMENTS AND CONTINGENCIES

Federal and State Grants

In the normal course of operations, the School District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Collectively Bargained Employment Agreements

The teachers of the School District are organized under the Kaleva Norman Dickson School District Education Association. The Board of Education and the Kaleva Norman Dickson School District Education Association had a contract through August 31, 2020.

The support personnel at the School District are organized under the Kaleva Norman Dickson School District - Education Support Personnel Association. The Board of Education and the Kaleva Norman Dickson School District - Education Support Personnel Association have a contract through June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

Kaleva Norman Dickson School District

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2019

	Budgeted Amounts			Variances - Positive (Negative)	
	Original	Final	Actual (GAAP Basis)	Original to Final Budget	Final Budget To Actual
Revenues					
Local	$ 2,378,762	$ 2,397,112	$ 2,407,598	$ 18,350	$ 10,486
State revenues	2,191,047	2,555,533	2,573,166	364,486	17,633
Federal revenues	339,741	323,390	317,240	(16,351)	(6,150)
Incoming transfers	74,600	89,600	71,544	15,000	(18,056)
Total revenues	4,984,150	5,365,635	5,369,548	381,485	3,913
Expenditures					
Instruction					
Basic programs	2,380,352	2,405,487	2,327,404	(25,135)	78,083
Added needs	628,805	657,647	632,881	(28,842)	24,766
Total instruction	3,009,157	3,063,134	2,960,285	(53,977)	102,849
Supporting Services					
Pupil support	155,459	167,544	157,807	(12,085)	9,737
Instructional staff support	126,169	129,457	125,399	(3,288)	4,058
General administration	212,465	213,258	202,946	(793)	10,312
School administration	330,068	326,668	287,312	3,400	39,356
Business services	143,002	146,932	146,102	(3,930)	830
Operations and maintenance	617,793	581,002	544,340	36,791	36,662
Transportation	424,331	566,478	519,247	(142,147)	47,231
Other central support services	281,982	371,146	353,587	(89,164)	17,559
Community education	750	750	-	-	750
Total supporting services	2,292,019	2,503,235	2,336,740	(211,216)	166,495
Other financing uses	36,450	36,450	18,093	-	18,357
Total expenditures	5,337,626	5,602,819	5,315,118	(265,193)	287,701
REVENUES OVER (UNDER) EXPENDITURES	(353,476)	(237,184)	54,430	116,292	291,614
Fund balance, beginning of year	1,211,863	1,348,695	1,348,695	136,832	-
Fund balance, end of year	$ 858,387	$ 1,111,511	$ 1,403,125	$ 253,124	$ 291,614

Kaleva Norman Dickson School District

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

Michigan Public School Employees Retirement Plan

	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
School District's proportion of collective net pension liability	0.02855606 %	0.02876214 %	0.02884716 %	0.02965903 %	0.03067327 %
School District's proportionate share of net pension liability	$ 8,584,467	$ 7,453,493	$ 7,197,130	$ 7,244,266	$ 6,756,249
School District's covered-employee payroll	$ 2,442,919	$ 2,440,052	$ 2,429,171	$ 2,456,043	$ 2,520,751
School District's proportionate share of net pension liability as a percentage of covered-employee payroll	351.40 %	305.46 %	296.28 %	294.96 %	268.03 %
Plan fiduciary net position as a percentage of total pension liability	62.36 %	64.21 %	63.27 %	63.17 %	66.20 %

SCHEDULE OF SCHOOL DISTRICT'S DEFINED BENEFIT PENSION CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Statutorily required employer contributions	$ 407,426	$ 421,466	$ 458,114	$ 572,161	$ 558,996
School District contributions made to the Plan	407,426	421,466	458,114	572,161	558,996
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District's covered-employee payroll	$ 2,457,044	$ 2,456,635	$ 2,415,228	$ 2,486,791	$ 2,528,810
Contributions as a percentage of covered-employee payroll	16.58 %	17.16 %	18.97 %	23.01 %	22.11 %

Change of benefit terms: There were no changes of benefit terms in 2018.

Change of assumptions: There were no changes of benefit assumptions in 2018.

Kaleva Norman Dickson School District

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Michigan Public School Employees Retirement Plan

	9/30/2018	9/30/2017
School District's proportion of collective net OPEB liability	0.02859550 %	0.02892619 %
School District's proportionate share of net OPEB liability	$ 2,273,043	$ 2,561,550
School District's covered payroll (OPEB)	$ 2,442,919	$ 2,440,052
School District's proportionate share of net OPEB liability as a percentage of covered payroll	93.05 %	104.98 %
Plan fiduciary net position as a percentage of total OPEB liability	42.95 %	36.39 %

SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	6/30/2019	6/30/2018
Statutorily required OPEB contributions	$ 190,716	$ 177,915
OPEB contributions in relation to statutorily required contributions	190,716	177,915
Contributions deficiency (excess)	$ -	$ -
School District's covered payroll (OPEB)	$ 2,457,044	$ 2,456,635
OPEB contributions as a percentage of covered payroll	7.76 %	7.24 %

Change of benefit terms: There were no changes of benefit terms in 2018.

Change of assumptions: There were no changes of benefit assumptions in 2018.

COMBINING FINANCIAL STATEMENTS OF NON-MAJOR GOVERNMENTAL FUNDS

Kaleva Norman Dickson School District

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2019

	Special Revenue Fund	Debt Service Funds			Total
	Food Service Fund	2009	2011	2013	Non-Major Governmental Funds
ASSETS					
Cash and cash equivalents	$ 425	$ 53,936	$ 108,359	$ 38,403	$ 201,123
Due from other governments	21,002	-	-	-	21,002
Due from other funds	92,037	-	-	-	92,037
Prepaid expenditures	450	-	-	-	450
Total assets	$ 113,914	$ 53,936	$ 108,359	$ 38,403	$ 314,612
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Salaries payable and related liabilities	$ 4,411	$ -	$ -	$ -	$ 4,411
Unearned revenue	1,249	-	-	-	1,249
Due to other funds	-	3,111	11,130	2,688	16,929
Total liabilities	5,660	3,111	11,130	2,688	22,589
FUND BALANCES					
Nonspendable	450	-	-	-	450
Restricted					
Food service	107,804	-	-	-	107,804
Debt service	-	50,825	97,229	35,715	183,769
Total fund balances	108,254	50,825	97,229	35,715	292,023
Total liabilities and fund balances	$ 113,914	$ 53,936	$ 108,359	$ 38,403	$ 314,612

Kaleva Norman Dickson School District

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2019

	Special Revenue Fund	Debt Service Funds			Total
	Food Service Fund	2009	2011	2013	Non-Major Governmental Funds
Revenues					
Property taxes	$ -	$ 247,960	$ 473,378	$ 214,147	$ 935,485
Interest	-	22	454	73	549
State revenues	10,982	-	1,113	503	12,598
Federal revenues	294,639	-	-	-	294,639
Other	63,405	584	5,189	-	69,178
Total revenues	369,026	248,566	480,134	214,723	1,312,449
Expenditures					
Food service	345,021	-	-	-	345,021
Debt service					
Principal	-	205,000	310,000	180,000	695,000
Interest	-	17,412	80,445	33,199	131,056
Other	-	125	375	200	700
Capital outlay	9,528	-	-	-	9,528
Total expenditures	354,549	222,537	390,820	213,399	1,181,305
REVENUES OVER EXPENDITURES	14,477	26,029	89,314	1,324	131,144
Other financing sources (uses)					
Operating transfers in	3,447	-	-	-	3,447
Proceeds from refunding bonds	-	-	3,635,601	-	3,635,601
Payments to refunded bond escrow agent	-	-	(3,636,645)	-	(3,636,645)
Bond issuance costs	-	-	(90,456)	-	(90,456)
Total other financing sources (uses)	3,447	-	(91,500)	-	(88,053)
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	17,924	26,029	(2,186)	1,324	43,091
Fund balance, beginning of year	90,330	24,796	99,415	34,391	248,932
Fund balance, end of year	$ 108,254	$ 50,825	$ 97,229	$ 35,715	$ 292,023

DENNIS, GARTLAND & NIERGARTH
Celebrating 45 Years of Service

Certified Public Accountants
Business Advisors

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Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA
Trina B. Edwards, CPA

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

Board of Education
Kaleva Norman Dickson School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the ***Kaleva Norman Dickson School District*** (the "School District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control over financial reporting, as described below, that we consider to be a material weakness:

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the School District's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized school districts, the School District has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the School District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the School District's *internal* controls.

Cause: This condition was caused by the School District's decision that it is more cost effective to outsource the preparation of its annual financial statements to auditors than to incur the time and expense of obtaining the necessary training and expertise required for the School District to perform this task internally.

Effect: As a result of this condition, the School District lacks internal controls over the preparation of financial statements in accordance with GAAP and instead relies, in part, on its external auditors for assistance with this task.

Management's Response: The School District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the School District to outsource this task to its external auditors and to carefully review the draft financial statements and footnotes prior to approving them and accepting responsibility for their content and presentation.

Compliance and Other Matters

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

The School District's Response to Findings

The School District's response to the findings identified in our audit is described above. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Dennis, Gartland & Niergarth

October 8, 2019