

**KINGSTON COMMUNITY SCHOOLS**  
Kingston, Michigan

REPORT ON FINANCIAL STATEMENTS  
*(with required supplementary and  
additional supplementary information)*

YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page Number</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 & 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 - 8
<b>BASIC FINANCIAL STATEMENTS</b>	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	9
Statement of Activities	10
<i>Fund Financial Statements</i>	
Balance Sheet - Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15 - 38
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - General Fund	39
Budgetary Comparison Schedule - Food Service	40
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability	41
Schedule of the Reporting Unit's Pension Contributions	42
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability	43
Schedule of the Reporting Unit's OPEB Contributions	44
Notes to Required Supplementary Information	45
<b>ADDITIONAL SUPPLEMENTARY INFORMATION</b>	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	47
Special Revenue Funds	
Combining Balance Sheet	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	49
Nonmajor Debt Service Funds	
Combining Balance Sheet	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	51
Schedule of Bonded Debt:	
2012 Refunding Bond Issue	52
2018 Bond Issue	53
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards	54 & 55
Schedule of Findings and Responses	56 & 57
Corrective Action Plan	58 & 59



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Thomas B. Doran, CPA  
Valerie J. Hartel, CPA  
Jamie L. Peasley, CPA  
.....  
Jerry J. Bernhardt

David A. Ondrajka, CPA  
Angela M. Burnette, CPA  
Chelsie M. Peruski, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Kingston Community Schools  
Kingston, Michigan 48741

### **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 Kingston Community Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 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 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.

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 Kingston Community Schools as of June 30, 2020, 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.

### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 13 to the financial statements, Kingston Community Schools implemented Governmental Accounting Standards Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

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

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 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 additional supplementary information is fairly stated, in all material respects, in relation to the 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 November 14, 2020 on our consideration of Kingston Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Kingston Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kingston Community Schools' internal control over financial reporting and compliance.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CARO, MICHIGAN

November 14, 2020

## **Kingston Community Schools Management's Discussion and Analysis**

---

Kingston Community School District, a K-12 school district located in Tuscola County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Kingston Community School District administration's discussion and analysis of the financial results for the fiscal years ended June 30, 2020 and June 30, 2019.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

### **Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Fund.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures.

The obligations for future years' debt service are not recorded in the fund financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are required by GASB 34. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

# Kingston Community Schools

## Management's Discussion and Analysis

### Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30, 2020 and 2019:

<b>Assets</b>	<b>6/30/2020</b>	<b>6/30/2019</b>
Current assets	\$ 2,905,956	\$ 4,199,835
Capital assets (net of depreciation)	<u>8,772,534</u>	<u>7,921,607</u>
Total assets	<u>11,678,490</u>	<u>12,121,442</u>
<b>Deferred Outflows of Resources</b>		
Related to other postemployment benefits	743,977	489,597
Related to pensions	<u>3,211,847</u>	<u>3,534,388</u>
Total deferred outflows of resources	<u>3,955,824</u>	<u>4,023,985</u>
<b>Liabilities</b>		
Current liabilities	662,978	1,001,739
Net pension liability	11,229,587	10,466,240
Net other postemployment benefit liabilities	2,446,723	2,699,155
Long-term liabilities	<u>6,660,341</u>	<u>6,960,950</u>
Total liabilities	<u>20,999,629</u>	<u>21,128,084</u>
<b>Deferred Inflows of Resources</b>		
Related to pensions	778,254	1,042,903
Related to other postemployment benefits	1,073,304	763,156
Related to state aid funding for pension	375,194	375,052
Deferred gain on bond refunding	<u>38,568</u>	<u>43,544</u>
Total deferred inflows of resources	<u>2,265,320</u>	<u>2,224,655</u>
<b>Net Position</b>		
Net investment in capital assets	2,384,975	2,707,956
Restricted for:		
Debt service	145,257	144,880
Woloshen	91,639	93,720
Unrestricted	<u>(10,252,506)</u>	<u>(10,153,868)</u>
Total net position	<u>\$ (7,630,635)</u>	<u>\$ (7,207,312)</u>

### Analysis of Financial Position

During the fiscal year ended June 30, 2020, the District's net position decreased by \$515,424. A few of the more significant factors affecting net position during the year are discussed below.

#### 1. Net Pension Liability & Net OPEB Liability

Beginning June 30, 2015, GASB 68 requires school districts to estimate and record its portion of the employee's net pension liability. The district's net pension liability increased from \$10,466,240 at June 30, 2019 to the net pension liability of \$11,229,587 as of June 30, 2020. Beginning in June 30, 2018, GASB 75 required school districts to estimate and record its portion of net OPEB liability. The district's net OPEB liability decreased from \$2,699,155 at June 30, 2019 to \$2,446,723 as of June 30, 2020. This impacts the government wide statements only, not individual funds.

# Kingston Community Schools Management's Discussion and Analysis

---

## 2. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal years ended June 30, 2020 and June 30, 2019, \$244,865 and \$188,564 were recorded for depreciation expense.

## 3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2020, \$1,012,392 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of \$850,927 for the fiscal year ended June 30, 2020.

## Results of Operations

For the fiscal year ended June 30, 2020 and 2019, the results of operations, on a District-wide basis, were:

	Year Ended June 30, 2020		Year Ended June 30, 2019	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property Taxes	\$ 949,803	13.12%	\$ 942,940	13.19%
Investment earnings	30,906	0.43%	65,541	0.92%
State sources	4,235,440	58.49%	4,341,974	60.75%
Other	151,525	2.09%	166,486	2.33%
Total general revenues	5,367,674	74.12%	5,516,941	77.19%
<b>Program Revenues</b>				
Charges for services	135,020	1.86%	143,308	2.00%
Operating grants and contributions	1,739,102	24.01%	1,487,415	20.81%
Total revenues	7,241,796	100.00%	7,147,664	100.00%
<b>Expenses</b>				
Instruction	3,922,778	50.57%	3,709,556	51.62%
Support services	2,533,279	32.66%	2,452,611	34.13%
Community services	101,468	1.31%	128,130	1.78%
Food services	498,576	6.43%	421,805	5.87%
Interest on long-term debt	220,069	2.84%	227,808	3.17%
Capital outlay	51,751	0.67%	23,809	0.33%
Unallocated depreciation expense	244,865	3.16%	188,564	2.62%
Other	184,434	2.38%	34,002	0.47%
Total expenses	7,757,220	100.00%	7,186,285	100.00%
Change in net position	\$ (515,424)		\$ (38,621)	

# Kingston Community Schools

## Management's Discussion and Analysis

---

### Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

#### 1. Property Taxes

The District levied 18.0000 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2019-2020 fiscal year, the district levied \$436,996 non-homestead property taxes. This represented an increase of \$8,311 from the prior year.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	Increase (Decrease) from prior year
2019 - 2020	\$436,996	\$8,311
2018 - 2019	428,685	28,741
2017 - 2018	399,944	26,695
2016 - 2017	376,249	32,616
2015 - 2016	343,633	(5,548)

#### 2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year's fall count and 10% of the prior year's spring count. For the 2019-2020 fiscal year, the District's foundation allowance was \$8,111 per student FTE, which was \$240 more than the amount received in the 2018-2019 fiscal year.

#### 3. Student Enrollment

The following schedule lists the actual blended student FTE for the past five fiscal years:

2019 -- 2020	584
2018 -- 2019	595
2017 -- 2018	587
2016 -- 2017	615
2015 -- 2016	649

#### 4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2020, federal, state and other operating grants accounted for \$1,739,102. This represents an increase of \$251,687 over the total grant sources received for the 2018-2019 fiscal year.

## Kingston Community Schools Management's Discussion and Analysis

---

### 5. Interest Earnings

The District received interest on its investments in the amount of \$30,906 for the fiscal year ended June 30, 2020. This represents a decrease over the prior fiscal year of \$34,635.

### General Fund Budgetary Highlights

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

For the 2019-2020 fiscal year, the district amended the general fund budget two times with the Board adopting the final changes in June 2020. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget	% Variance
Total revenues	<u>\$ 6,126,369</u>	<u>\$ 6,148,435</u>	<u>\$ 6,061,418</u>	<u>\$ (87,017)</u>	<u>-1.42%</u>
Expenditures					
Instruction	\$ 3,526,321	\$ 3,527,478	\$ 3,527,275	\$ 203	0.01%
Supporting services	2,263,445	2,225,376	2,341,865	(116,489)	-5.23%
Other	<u>293,879</u>	<u>255,152</u>	<u>116,136</u>	<u>139,016</u>	<u>54.48%</u>
Total expenditures	<u>\$ 6,083,645</u>	<u>\$ 6,008,006</u>	<u>\$ 5,985,276</u>	<u>\$ 22,730</u>	<u>0.38%</u>
Total other financing sources (uses)	<u>\$ (40,362)</u>	<u>\$ (40,362)</u>	<u>\$ (95,222)</u>	<u>\$ (54,860)</u>	<u>135.92%</u>

### Capital Asset and Debt Administration

#### Capital Assets

By the end of the 2019-2020 fiscal year, the district had invested \$17,711,137 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents an increase of \$1,095,792. Depreciation expense for the year amounted to \$244,865, bringing the total accumulated depreciation to \$8,938,603 as of June 30, 2020.

#### Long-term Debt

At June 30, 2020, the District had \$6,660,341 in long-term debt outstanding. This represents a decrease of \$300,609 over the amount outstanding at the close of the prior fiscal year.

## **Kingston Community Schools**

### **Management's Discussion and Analysis**

---

#### **Factors Bearing on the District's Future**

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

- The District will see an increase in students for the 2020-2021 school year, based on the District offering full face-to-face learning, while some nearby districts will only be offering virtual or a hybrid plan.
- The District will incur additional costs associated with the COVID-19 virus. These costs include (but not limited to), purchasing hotspot devices for families with no internet service, providing additional PPE (personal protection equipment) to keep staff and students safe, and purchasing additional cleaning supplies to keep the District's buildings clean and sanitized.
- As with other employers, the District continues to face increases in rates paid for employee benefits, particularly for health insurance and retirement.

#### **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 financial information, please contact:

Matt Drake, Superintendent  
Kingston Community Schools  
5790 State St.  
Kingston, MI 48741  
(989) 683-2294

## BASIC FINANCIAL STATEMENTS

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,541,324
Investments	64,837
Accounts receivable	3,194
Intergovernmental receivables	1,029,234
Investments - restricted capital projects	267,367
Capital assets not being depreciated	111,600
Capital assets, net of accumulated depreciation	8,660,934
<b>TOTAL ASSETS</b>	<b>11,678,490</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to other postemployment benefits	743,977
Related to pensions	3,211,847
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,955,824</b>
<b>LIABILITIES</b>	
Accounts payable	35,730
Accrued salaries and related items	419,050
Accrued retirement	161,867
Unearned revenue	7,304
Accrued interest payable	39,027
Noncurrent liabilities:	
Due within one year	300,000
Due in more than one year	6,360,341
Net other postemployment benefit liabilities	2,446,723
Net pension liability	11,229,587
<b>TOTAL LIABILITIES</b>	<b>20,999,629</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	778,254
Related to other postemployment benefit liabilities	1,073,304
Related to state aid funding for pension	375,194
Deferred gain on bond refunding, net of amortization	38,568
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,265,320</b>
<b>NET POSITION</b>	
Net investment in capital assets	2,384,975
Restricted for debt service	145,257
Restricted for special revenue (Woloshen)	91,639
Unrestricted	(10,252,506)
<b>TOTAL NET POSITION</b>	<b>\$ (7,630,635)</b>

See notes to financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants and</u>	<u>Net (Expense)</u>
			<u>Contributions</u>	<u>Revenue and</u>
				<u>Changes in</u>
				<u>Net Position</u>
Governmental activities:				
Instruction	\$ 3,922,778	\$ 69,259	\$ 795,238	\$ (3,058,281)
Support services	2,533,279	57,534	340,816	(2,134,929)
Community service	101,468	-		(101,468)
Food services	498,576	8,227	447,012	(43,337)
Public library	34,254			(34,254)
Woloshen	2,081			(2,081)
Student/school activities	147,899		156,036	8,137
Interest on long-term debt	220,069			(220,069)
Capital outlay	51,751			(51,751)
Other	200			(200)
Unallocated depreciation	244,865			(244,865)
<b>Total governmental activities</b>	<b><u>\$ 7,757,220</u></b>	<b><u>\$ 135,020</u></b>	<b><u>\$ 1,739,102</u></b>	<b><u>(5,883,098)</u></b>
General revenues:				
Property taxes, levied for general purposes				436,996
Property taxes, levied for debt service				512,807
State of Michigan school aid unrestricted				4,235,440
Investment earnings				30,906
Penal fines				22,285
Other				129,240
<b>Total general revenue</b>				<b><u>5,367,674</u></b>
Change in net position				(515,424)
Net position, beginning of year, as restated				<u>(7,115,211)</u>
Net position, end of year				<b><u>\$ (7,630,635)</u></b>

See notes to financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	<u>GENERAL FUND</u>	<u>FOOD SERVICE</u>	<u>2018 CAPITAL PROJECTS</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 633,457	\$ 416,476	\$ -	\$ 491,391	\$ 1,541,324
Investments				64,837	64,837
Accounts receivable	2,011	-		1,183	3,194
Due from other funds	436,159	-		7,932	444,091
Intergovernmental receivables	975,322	53,912			1,029,234
Investments - restricted capital projects			267,367		267,367
<b>TOTAL ASSETS</b>	<b><u>\$ 2,046,949</u></b>	<b><u>\$ 470,388</u></b>	<b><u>\$ 267,367</u></b>	<b><u>\$ 565,343</u></b>	<b><u>\$ 3,350,047</u></b>
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 19,831	\$ 15,892	\$ -	\$ 7	\$ 35,730
Accrued salaries and related items	419,050	-			419,050
Accrued retirement	161,867			-	161,867
Unearned revenue	7,304				7,304
Due to other funds	7,932	402,668		33,491	444,091
<b>TOTAL LIABILITIES</b>	<b><u>615,984</u></b>	<b><u>418,560</u></b>	<b><u>-</u></b>	<b><u>33,498</u></b>	<b><u>1,068,042</u></b>
<b>FUND BALANCE:</b>					
<b>Restricted for:</b>					
Debt service				184,284	184,284
Capital projects			267,367		267,367
Food service		51,828			51,828
Public library				8,727	8,727
Woloshen				89,889	89,889
<b>Committed for:</b>					
Capital projects				145,291	145,291
Student/school activities				101,238	101,238
<b>Assigned for:</b>					
Compensated absences	43,983				43,983
Subsequent year expenditures	357,533			2,416	359,949
Unassigned	1,029,449				1,029,449
<b>TOTAL FUND BALANCE</b>	<b><u>1,430,965</u></b>	<b><u>51,828</u></b>	<b><u>267,367</u></b>	<b><u>531,845</u></b>	<b><u>2,282,005</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 2,046,949</u></b>	<b><u>\$ 470,388</u></b>	<b><u>\$ 267,367</u></b>	<b><u>\$ 565,343</u></b>	<b><u>\$ 3,350,047</u></b>

See notes to financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

**Total Fund Balances - Governmental Funds** \$ 2,282,005

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

Deferred outflows of resources - related to pensions	3,211,847
Deferred outflows of resources - related to other postemployment benefits	743,977
Deferred inflows of resources - related to pensions	(778,254)
Deferred inflows of resources - related to other postemployment benefits	(1,073,304)
Deferred inflows of resources - related to state aid funding for pension	(375,194)
Deferred inflows of resources - gain on refunding, net of amortization	(38,568)

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

The cost of the capital assets is:	17,711,137
Accumulated depreciation is:	(8,938,603)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Long term debt obligations	(6,616,358)
Compensated absences	(43,983)
Accrued interest is not reported as a liability in governmental funds; it is recorded when paid	(39,027)
Net other postemployment benefit liability	(2,446,723)
Net pension liability	<u>(11,229,587)</u>

**Net Position of Governmental Activities** **\$ (7,630,635)**

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	<u>GENERAL FUND</u>	<u>FOOD SERVICE</u>	<u>2018 CAPITAL PROJECTS</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>					
Local sources					
Property taxes	\$ 436,996	\$ -	\$ -	\$ 512,807	\$ 949,803
Charges for services	126,793	8,227		-	135,020
Investment earnings	8,956	-	16,340	5,610	30,906
Student activity income				156,036	156,036
Other	121,872	7,368		22,285	151,525
State sources	5,057,761	30,556		4,835	5,093,152
Federal sources	309,040	416,456		-	725,496
<b>TOTAL REVENUES</b>	<u>6,061,418</u>	<u>462,607</u>	<u>16,340</u>	<u>701,573</u>	<u>7,241,938</u>
<b>EXPENDITURES:</b>					
Instruction	3,527,275				3,527,275
Supporting services	2,341,865				2,341,865
Community services	99,563				99,563
Food service		463,006			463,006
Public library				28,008	28,008
Woloshen				2,081	2,081
Student/school activities				147,899	147,899
Capital outlay			1,137,043	10,500	1,147,543
Debt services:					
Principal payments	16,251			275,000	291,251
Interest	322			241,662	241,984
Fees			-	200	200
<b>TOTAL EXPENDITURES</b>	<u>5,985,276</u>	<u>463,006</u>	<u>1,137,043</u>	<u>705,350</u>	<u>8,290,675</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>76,142</u>	<u>(399)</u>	<u>(1,120,703)</u>	<u>(3,777)</u>	<u>(1,048,737)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers out	(98,252)	(3,030)	-	-	(101,282)
Transfers in	3,030		-	98,252	101,282
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(95,222)</u>	<u>(3,030)</u>	<u>-</u>	<u>98,252</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(19,080)</u>	<u>(3,429)</u>	<u>(1,120,703)</u>	<u>94,475</u>	<u>(1,048,737)</u>
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<u>1,450,045</u>	<u>55,257</u>	<u>1,388,070</u>	<u>437,370</u>	<u>3,330,742</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,430,965</u>	<u>\$ 51,828</u>	<u>\$ 267,367</u>	<u>\$ 531,845</u>	<u>\$ 2,282,005</u>

See notes to financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

**Total net change in fund balances--governmental funds** \$(1,048,737)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(244,865)
Capital outlay	1,012,392
Construction in progress	83,400

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:

Payments on debt	291,251
Amortization of bond premium	18,850
Amortization of bond discount	(3,429)
Amortization of deferred gain	4,976

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.

Accrued interest payable at the beginning of the year	40,545
Accrued interest payable at the end of the year	(39,027)

Accrued compensated absences are recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid.

Accrued absences at the beginning of the year	37,920
Accrued absences at the end of the year	(43,983)

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

Other postemployment benefit related items	196,664
Pension related items	(821,239)

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

Change in state aid funding for pension	(142)
---	-------

**Change in net position of governmental activities** **\$ (515,424)**

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

**REPORTING ENTITY:**

Kingston Community Schools (the "District") is governed by the Kingston Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

**BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

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

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

**BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS:**

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

The District reports the following major governmental funds:

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

The *food service fund* accounts for revenue sources that are legally restricted to expenditures for food service for students.

The *2018 capital projects fund* accounts for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *2018 capital projects fund* includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of section 1351a of the Revised School Code.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

Beginning with the year of bond issuance, the District has reported the annual construction activity in the *2018 capital projects fund*. The projects for which the 2018 bonds were issued were considered substantially complete as of June 30, 2020 and the cumulative revenues and expenditures recognized for the construction period were as follows:

	2020	2019	2018	Total
Revenue and other financing sources	\$ 16,340	\$ 56,325	\$ 4,983,460	\$ 5,056,125
Expenditures and outgoing transfers	\$ 1,137,043	\$ 2,658,029	\$ 993,686	\$ 4,788,758

Revenues and other financing sources include the net bond proceeds of \$4,955,574.

**OTHER NON-MAJOR FUNDS**

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

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its library, the Woloshen account, and student/school activities in the special revenue funds.

The *non-bond capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:**

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

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

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

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

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

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on the pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exception (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30th is reported as an intergovernmental receivable.

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

**BUDGETARY INFORMATION:**

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. Capital projects funds are appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the general fund and food service fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to the year ended June 30<sup>th</sup>. The District does not consider these amendments to be significant.

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:**

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and additions	20 - 50 years
Furniture and other equipment	5 - 20 years

5. Defined benefit plan

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

6. Deferred outflows/inflows of resources

Deferred outflows

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

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualifies for reporting in this category. One is the deferred gain on bond refunding reported in the government-wide statement of net position. A deferred gain on bond refunding results from the unamortized difference between the carrying amount of redeemed or defeased debt and its reacquisition price. Another is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period. The third and fourth items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available.

7. Net position flow assumption

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

8. Fund balance flow assumptions

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

9. Fund balance policies

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

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

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

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

**REVENUES AND EXPENDITURES/EXPENSES:**

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements for a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2020, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund:	
Non-Principle Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt Service Fund:	
PRE, Non-PRE, Commercial Personal Property	5.45

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

4. Long-term obligations

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

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

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

**NOTE 2 – DEPOSITS AND INVESTMENTS:**

At June 30, 2020, the District had deposits and investments subject to the following risk:

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2020, \$452,476 of the District's bank balance of \$1,702,476 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$1,541,324.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>
MILAF External Investment pool - MAX	\$ 267,367	N/A
Publicly traded mutual funds	64,837	N/A
Total fair value	<u>\$ 332,204</u>	

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

<u>Investment Type</u>	<u>Fair value</u>	<u>Standard &amp; Poor's Rating</u>
MILAF External Investment pool - MAX	\$ 267,367	AAAm
Publicly traded mutual funds	64,837	Aaa/AA+
Total fair value	<u>\$ 332,204</u>	

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

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

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

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

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

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

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

The mutual funds are subject to the fair value measurement and are level 1.

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

<b>Investment Type</b>	<b>Amortized Cost</b>
MILAF External Investment pool - MAX	\$ 267,367
Total fair value	\$ 267,367

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

The following summarizes the categorization of these amounts as of June 30, 2020:

	Primary Government
Cash and cash equivalents	\$ 1,541,324
Investments	64,837
Investments - restricted for capital projects	267,367
	\$ 1,873,528

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

**NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:**

Intergovernmental receivables at June 30, 2020 consist of the following:

State Aid - State of Michigan	\$	846,481
Federal		182,753
		182,753
Total		\$ 1,029,234

Amounts due from other governmental units include amounts due from federal and state sources for various projects and programs. No allowance for doubtful accounts is considered necessary based on previous experience.

**NOTE 4 – CAPITAL ASSETS:**

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>July 1, 2019</u>	<u>ADDITIONS/ RECLASS</u>	<u>DELETIONS/ RECLASS</u>	<u>BALANCE</u> <u>June 30, 2020</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 28,200	\$ -	\$ -	\$ 28,200
Construction in progress	2,307,548	83,400	2,307,548	83,400
Total capital assets, not being depreciated	2,335,748	83,400	2,307,548	111,600
Capital assets being depreciated:				
Building and Improvements	12,259,883	3,310,940		15,570,823
Furniture and equipment	2,019,714	9,000		2,028,714
Total capital assets being depreciated	14,279,597	3,319,940	-	17,599,537
Accumulated depreciation:				
Building and Improvements	(7,086,428)	(181,580)		(7,268,008)
Furniture and equipment	(1,607,310)	(63,285)		(1,670,595)
Total accumulated depreciation	(8,693,738)	(244,865)	-	(8,938,603)
Capital assets being depreciated	5,585,859	3,075,075	-	8,660,934
Total governmental capital assets	\$ 7,921,607	\$ 3,158,475	\$ 2,307,548	\$ 8,772,534

Depreciation for the fiscal year ended June 30, 2020 amounted to \$244,865 and is reported as unallocated depreciation on the statement of activities. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

**NOTE 5- LONG TERM OBLIGATIONS:**

The District issued general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the changes in liabilities reported in the long- term obligations for the District for the year ended June 30, 2020:

	General obligation bonds	Notes from direct borrowings and direct placements	Compensated absences	Total
Balance July 1, 2019	\$ 6,906,779	\$ 16,251	\$ 37,920	\$ 6,960,950
Additions	-	-	6,063	6,063
Deletions	(290,421)	(16,251)	-	(306,672)
Balance June 30, 2020	6,616,358	-	43,983	6,660,341
Due within one year	(300,000)	-	-	(300,000)
Due in more than one year	<u>\$ 6,316,358</u>	<u>\$ -</u>	<u>\$ 43,983</u>	<u>\$ 6,360,341</u>

Long-term obligations at June 30, 2020 is comprised of the following issues:

**General obligation bonds:**

2012 general obligation refunding bonds due in annual installments of \$195,000 to \$250,000 through May 1, 2028 with interest at 2.00% to 3.125%.	\$ 1,830,000
2018 school building and site bond due in annual installments of \$60,000 to \$485,000 through May 1, 2037 with interest at 2.00% to 4.00%.	4,550,000
Plus: premium on bond issuance, net	274,307
Less: discount on bond issuances, net	(37,949)
Total general obligation bonds	<u>6,616,358</u>
Compensated absences	<u>43,983</u>
Total long-term debt	<u>\$ 6,660,341</u>

At June 30, 2020, \$184,284 is available in the debt service funds to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2020 was approximately \$241,984.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

The annual requirements to amortize the long-term obligations as of June 30, 2020 are as follows:

Year ending June 30,	<u>General obligation bonds</u>		<u>Compensated absences</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2021	\$ 300,000	\$ 234,162	\$ -	\$ 534,162
2022	305,000	224,213		529,213
2023	320,000	214,112		534,112
2024	325,000	203,513		528,513
2025	335,000	193,762		528,762
2026-2030	1,785,000	802,688		2,587,688
2031-2035	2,060,000	443,800		2,503,800
2036-2037	950,000	57,400		1,007,400
	<u>6,380,000</u>	<u>2,373,650</u>	<u>-</u>	<u>8,753,650</u>
Premium on bonds	274,307			274,307
Discount on bonds	(37,949)			(37,949)
Compensated absences			43,983	43,983
Total long-term debt	<u>\$ 6,616,358</u>	<u>\$ 2,373,650</u>	<u>\$ 43,983</u>	<u>\$ 9,033,991</u>

In prior years, the District has defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2020, \$1,955,000 of bonds outstanding are considered defeased.

**NOTE 6 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS:**

**Plan Description**

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

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

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

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

**Benefits Provided - Overall**

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

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

**Benefits Provided - Pension**

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

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

**Pension Reform 2010**

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

**Pension Reform 2012**

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

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

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

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

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

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

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

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

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

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

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

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

**Pension Reform of 2017**

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and creates a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

**Benefits Provided – Other postemployment benefit (OPEB)**

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

**Retiree Healthcare Reform of 2012**

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

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

**Regular Retirement (no reduction factor for age)**

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

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

**Member Contributions**

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

**Employer Contributions**

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

**KINGSTON COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Total pension contributions were approximately \$944,000. Of the total pension contributions approximately \$920,000 was contributed to fund the Defined Benefit Plan and approximately \$24,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. Total OPEB contributions were approximately \$241,000. Of the total OPEB contributions approximately \$231,000 was contributed to fund the Defined Benefit Plan and approximately \$10,000 was contributed to fund the Defined Contribution Plan.

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

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

**Pension Liabilities**

The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<b>MPSERS (Plan) Non-university employers:</b>	<b>September 30, 2019</b>	<b>September 30, 2018</b>
Total Pension Liability	\$ 83,442,507,212	\$ 79,863,694,444
Plan Fiduciary Net Position	\$ 50,325,869,388	\$ 49,801,889,205
Net Pension Liability	\$ 33,116,637,824	\$ 30,061,805,239
Proportionate Share	0.03391%	0.03482%
Net Pension Liability for the District	\$ 11,229,587	\$ 10,466,240

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

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

For the year ended June 30, 2020, the District recognized pension expense of \$1,718,588.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes of assumptions	\$ 2,198,761	
Net difference between projected and actual plan investment earnings		\$ (359,889)
Differences between expected and actual experience	50,335	(46,826)
Changes in proportion and differences between employer contributions and proportionate share of contributions	104,459	(371,539)
District's contributions subsequent to the measurement date	858,292	
	<u>\$ 3,211,847</u>	<u>\$ (778,254)</u>

\$858,292, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year ended September 30,</u>	<u>Amount</u>
2020	\$ 691,459
2021	474,693
2022	285,513
2023	123,636

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

**OPEB Liabilities**

The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<b><u>MPSERS (Plan) Non-university employers:</u></b>	<b><u>September 30, 2019</u></b>	<b><u>September 30, 2018</u></b>
Total other postemployment benefit liability	\$ 13,925,860,688	\$ 13,932,170,264
Plan fiduciary net position	\$ 6,748,122,668	\$ 5,983,218,473
Net other postemployment benefit liability	\$ 7,177,738,020	\$ 7,948,951,791
Proportionate share	0.03409%	0.03396%
Net other postemployment benefit liability for the District	\$ 2,446,723	\$ 2,699,155

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$28,637.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Changes of assumptions	\$ 530,155	
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,309	\$ (132,982)
Difference between expected and actual experience		(897,772)
Net difference between projected and actual earnings on OPEB plan investments		(42,550)
Reporting Unit contributions subsequent to the measurement date	203,513	
<b>Total</b>	<b>\$ 743,977</b>	<b>\$ (1,073,304)</b>

\$203,513, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2020	\$ (147,851)
2021	(147,851)
2022	(126,742)
2023	(80,297)
2024	(30,099)

**Actuarial Assumptions**

**Investment rate of return for pension** – 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

**Investment rate of return for OPEB** – 6.95% a year, compounded annually net of investment and administrative expenses

**Salary increases** - The rate of pay increase used for individual members is 2.75%.

**Inflation** – 3.0%.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

**Mortality assumptions –**

*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:* RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

*Disabled Retirees:* RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

**Experience study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2018. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

**The long-term expected rate of return on pension and other postemployment benefit plan investments** - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

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

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

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

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

The target asset allocation at September 30, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term expected real rate of return*
Domestic equity pools	28.00%	5.50%
Private equity pools	18.00%	8.60%
International equity	16.00%	7.30%
Fixed income pools	10.50%	1.20%
Real estate and infrastructure pools	10.00%	4.20%
Absolute return pools	15.50%	5.40%
Short term investment pools	2.00%	0.80%
	100.00%	

\*Long term rate of return is net of administrative expenses and 2.3% inflation.

**Rate of return** – For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Pension Discount rate** – A single discount rate of 6.80% was used to measure the total pension liability (6.00% for Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**OPEB Discount rate** – A single rate of 6.95% 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 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan’s fiduciary net position was project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the net pension liability to changes in the discount rate** -The following presents the District’s proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for Pension Plus 2 Plan), as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 14,599,181	\$ 11,229,587	\$ 8,436,077

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

**Sensitivity of the net OPEB liability to changes in the discount rate** -The following presents the District's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 3,001,274	\$ 2,446,723	\$ 1,981,055

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

	Other Postemployment Benefit		
	1% Decrease	Current	1% Increase
		Trend Rates	
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 1,961,313	\$ 2,446,723	\$ 3,001,208

**Pension and OPEB Plan Fiduciary Net Position** - Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2019 Comprehensive Annual Financial Report.

**Payable to the Pension and OPEB Plan** - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES:**

The following interfund balances were outstanding at June 30, 2020:

Receivable Fund	Payable Fund			
	General Fund	Food Service Fund	Nonmajor Funds	Total
General Fund		\$ 402,668	\$ 33,491	\$ 436,159
Nonmajor Funds	\$ 7,932			7,932
Total	\$ 7,932	\$ 402,668	\$ 33,491	\$ 444,091

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund foods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

**NOTE 8 - RISK MANAGEMENT:**

The District is exposed to risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. The program is recorded in the general fund. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

The District is self-insured for dental and vision claims. All plans have limits of amounts for expenditures that will be reimbursed. This program is recorded in the general fund. Any liability for incurred and unreported claims is not considered material.

Settlements have not exceeded coverage for each of the past three fiscal years. Changes in the balances of claims liabilities during the past three years have been immaterial.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES:**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any, would be immaterial.

**NOTE 10 – TRANSFERS:**

The transfers between funds for the fiscal year ended June 30, 2020 were as follows:

	<b>TRANSFERS IN</b>	<b>TRANSFERS OUT</b>
General Fund	\$ 3,030	\$ 98,252
Food Service		3,030
Nonmajor Governmental Funds	98,252	
	\$ 101,282	\$ 101,282

The transfer to the Non-bond Capital Projects Fund from the General Fund was to subsidize operations. The transfer from the Food Service Fund to the General Fund was for indirect cost reimbursement.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

**NOTE 11 – OPERATING LEASES:**

The District entered into a 5 year lease in June 2018 for copiers and printers at a monthly cost of \$1,995. In April 2019, the District entered into a 3 year lease for a postage machine with a monthly cost of \$180. In August 2018, the District entered into a 3 year lease agreement for six buses for a total annual payment of \$81,214. The District entered into a 3 year lease in September 2018 for a special needs bus at an annual cost of \$14,763. The future lease commitments under these leases are as follows:

June 30, 2021	\$ 122,078
June 30, 2022	25,563
June 30, 2023	<u>23,945</u>
Total	<u>\$ 171,586</u>

**NOTE 12 - TAX ABATEMENTS:**

The District is required to disclose significant tax abatements as a required by GASB Statement 77, *Tax Abatements*.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax Exemptions granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The District did not have any property taxes abated under any of these programs.

There are no significant abatements made by the District.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2020

**NOTE 13 – NEW ACCOUNTING STANDARD:**

For the year ended June 30, 2020, the District implemented the following new pronouncement: GASB Statement No. 84, *Fiduciary Activities*.

**Summary:**

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

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

	Fund Balances	
	Student/School Activities	Total Governmental Funds
Fund balances as of July 1, 2019, as previously stated	\$ -	\$ 3,238,641
Adoption of GASB Statements 84	92,101	92,101
Fund balances as of July 1, 2019, as restated	\$ 92,101	\$ 3,330,742
	Net Position	
	Governmental Activities	
Net position as of July 1, 2019, as previously stated	\$ (7,207,312)	
Adoption of GASB Statements 84	92,101	
Net position as of July 1, 2019, as restated	\$ (7,115,211)	

**NOTE 14 – UPCOMING ACCOUNTING PRONOUNCEMENTS:**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

## REQUIRED SUPPLEMENTARY INFORMATION

**KINGSTON COMMUNITY SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2020**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUES</b>				
Local sources				
Property taxes	\$ 415,462	\$ 441,836	\$ 436,996	\$ (4,840)
Charges for services	115,440	122,769	126,793	4,024
Investment earnings	8,275	8,800	8,956	156
Other	93,223	99,141	121,872	22,731
State sources	5,136,297	5,156,554	5,057,761	(98,793)
Federal sources	357,672	319,335	309,040	(10,295)
<b>TOTAL REVENUES</b>	<u>6,126,369</u>	<u>6,148,435</u>	<u>6,061,418</u>	<u>(87,017)</u>
<b>EXPENDITURES</b>				
Instruction				
Basic programs	2,986,657	2,915,765	2,919,428	(3,663)
Added needs	539,664	611,713	607,847	3,866
Total instruction	<u>3,526,321</u>	<u>3,527,478</u>	<u>3,527,275</u>	<u>203</u>
Supporting services				
Pupil services	240,056	249,823	258,980	(9,157)
Staff services	76,467	46,999	46,608	391
General administration	270,615	273,011	275,821	(2,810)
School administration	401,030	411,463	414,144	(2,681)
Business services	137,077	137,735	150,966	(13,231)
Operations and maintenance	595,613	600,503	602,684	(2,181)
Pupil transportation	221,732	205,481	302,674	(97,193)
Central services	166,998	171,617	160,634	10,983
Athletic activities	153,857	128,744	129,354	(610)
Total supporting services	<u>2,263,445</u>	<u>2,225,376</u>	<u>2,341,865</u>	<u>(116,489)</u>
Community services				
Cardinal center	138,491	99,487	99,359	128
Drivers education	225	225	204	21
Total community services	<u>138,716</u>	<u>99,712</u>	<u>99,563</u>	<u>149</u>
Debt service				
Principal on bus loan	154,841	155,118	16,251	138,867
Interest on bus loan	322	322	322	-
Total debt service	<u>155,163</u>	<u>155,440</u>	<u>16,573</u>	<u>138,867</u>
<b>TOTAL EXPENDITURES</b>	<u>6,083,645</u>	<u>6,008,006</u>	<u>5,985,276</u>	<u>22,730</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>42,724</u>	<u>140,429</u>	<u>76,142</u>	<u>(64,287)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	15,000	15,000	3,030	(11,970)
Transfers out	(55,362)	(55,362)	(98,252)	(42,890)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(40,362)</u>	<u>(40,362)</u>	<u>(95,222)</u>	<u>(54,860)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 2,362</u>	<u>\$ 100,067</u>	<u>(19,080)</u>	<u>\$ (119,147)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>1,450,045</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 1,430,965</u>	

**KINGSTON COMMUNITY SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOOD SERVICE**  
**YEAR ENDED JUNE 30, 2020**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUES</b>				
Local sources				
Charges for services	\$ 9,600	\$ 8,227	\$ 8,227	\$ -
Other	8,600	7,368	7,368	-
State sources	29,591	33,119	30,556	(2,563)
Federal sources	<u>373,680</u>	<u>466,036</u>	<u>416,456</u>	<u>(49,580)</u>
<b>TOTAL REVENUES</b>	<u>421,471</u>	<u>514,750</u>	<u>462,607</u>	<u>(52,143)</u>
<b>EXPENDITURES</b>				
School Services:				
Salaries and wages	132,165	158,042	132,453	25,589
Employee benefits	75,050	89,744	77,374	12,370
Purchased services	8,427	10,077	10,077	-
Food	189,906	227,089	229,996	(2,907)
Capital outlay	8,210	9,818	9,819	(1)
Miscellaneous	<u>2,373</u>	<u>2,837</u>	<u>3,287</u>	<u>(450)</u>
<b>TOTAL EXPENDITURES</b>	<u>416,131</u>	<u>497,607</u>	<u>463,006</u>	<u>34,601</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>5,340</u>	<u>17,143</u>	<u>(399)</u>	<u>(17,542)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>-</u>	<u>(15,000)</u>	<u>(3,030)</u>	<u>11,970</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(15,000)</u>	<u>(3,030)</u>	<u>11,970</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 5,340</u>	<u>\$ 2,143</u>	<u>(3,429)</u>	<u>\$ (5,572)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>55,257</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$51,828</u>	

**KINGSTON COMMUNITY SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 FISCAL YEARS (DETERMINED AS OF**  
**YEAR ENDED SEPTEMBER 30)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.03391%	0.03482%	0.03598%	0.03533%	0.03370%	0.03372%
Reporting unit's proportionate share of net pension liability	\$11,229,587	\$10,466,240	\$9,323,098	\$8,815,130	\$8,230,540	\$7,426,546
Reporting unit's covered-employee payroll	\$ 2,882,426	\$ 2,890,139	\$3,008,660	\$3,044,610	\$2,892,890	\$2,889,316
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	389.59%	362.14%	309.88%	289.53%	284.51%	257.03%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**KINGSTON COMMUNITY SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 FISCAL YEARS (DETERMINED AS OF**  
**YEAR ENDED JUNE 30)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 919,527	\$ 895,666	\$ 944,354	\$ 833,209	\$ 719,670	\$ 615,073
Contributions in relation to statutorily required contributions	<u>919,527</u>	<u>895,666</u>	<u>944,354</u>	<u>833,209</u>	<u>719,670</u>	<u>615,073</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$2,957,847	\$2,843,199	\$2,910,769	\$3,010,295	\$2,983,514	\$2,900,710
Contributions as a percentage of covered-employee payroll	31.09%	31.50%	32.44%	27.68%	24.12%	21.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**KINGSTON COMMUNITY SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE**  
**SHARE OF THE NET OPEB LIABILITY**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 FISCAL YEARS (DETERMINED AS OF**  
**YEAR ENDED SEPTEMBER 30)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.03409%	0.03396%	0.03594%
Reporting unit's proportionate share of net OPEB liability	\$2,446,723	\$2,699,155	\$3,182,950
Reporting unit's covered-employee payroll	\$2,882,426	\$2,890,139	\$3,008,660
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	84.88%	93.39%	105.79%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**KINGSTON COMMUNITY SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 FISCAL YEARS (DETERMINED AS OF**  
**YEAR ENDED JUNE 30)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 231,307	\$ 227,184	\$ 228,323
Contributions in relation to statutorily required contributions	<u>231,307</u>	<u>227,184</u>	<u>228,323</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$2,957,847	\$2,843,199	\$2,910,769
Contributions as a percentage of covered-employee payroll	7.82%	7.99%	7.84%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**KINGSTON COMMUNITY SCHOOLS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2020**

Pension Information

**Benefit changes** - there were no changes of benefit terms in 2019.

**Changes of assumptions** - the assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

OPEB Information

**Benefit changes** - there were no changes of benefit terms in 2019.

**Changes of assumptions** - the assumption changes for 2019 were:

Discount rate decreased to 6.95% from 7.15%.

Healthcare cost trend rate increased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50%  
Year 1 graded to 3.00% Year 12.

ADDITIONAL SUPPLEMENTARY INFORMATION

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2020**

	<b>SPECIAL REVENUE FUNDS</b>	<b>DEBT SERVICE FUNDS</b>	<b>NON-BOND CAPITAL PROJECTS</b>	<b>TOTAL NONMAJOR FUNDS</b>
<b><u>ASSETS</u></b>				
Cash and equivalents	\$ 159,243	\$ 176,357	\$ 155,791	\$ 491,391
Investments	64,837			64,837
Accounts receivable	1,183			1,183
Due from other funds	-	7,932		7,932
	-	7,932		7,932
<b>TOTAL ASSETS</b>	<b>\$ 225,263</b>	<b>\$ 184,289</b>	<b>\$ 155,791</b>	<b>\$ 565,343</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
Accounts payable	\$ 7	\$ -	\$ -	\$ 7
Due to other funds	22,986	5	10,500	33,491
	22,986	5	10,500	33,491
<b>TOTAL LIABILITIES</b>	<b>22,993</b>	<b>5</b>	<b>10,500</b>	<b>33,498</b>
 <b><u>FUND BALANCES</u></b>				
Restricted for:				
Debt service		184,284		184,284
Public library	8,727			8,727
Woloshen	89,889			89,889
Committed for:				
Capital projects			145,291	145,291
Student/school activities	101,238			101,238
Assigned for:				
Subsequent year expenditures	2,416	-	-	2,416
	2,416	-	-	2,416
<b>TOTAL FUND BALANCES</b>	<b>202,270</b>	<b>184,284</b>	<b>145,291</b>	<b>531,845</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 225,263</b>	<b>\$ 184,289</b>	<b>\$ 155,791</b>	<b>\$ 565,343</b>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2020**

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>NON-BOND CAPITAL PROJECTS</u>	<u>TOTAL NONMAJOR FUNDS</u>
<b>REVENUES</b>				
Local sources				
Property taxes	\$ -	\$512,807	\$ -	\$ 512,807
Investment earnings	1,000	2,914	1,696	5,610
Student activity income	156,036			156,036
Other	22,285			22,285
State sources	<u>4,835</u>			<u>4,835</u>
<b>TOTAL REVENUES</b>	<u>184,156</u>	<u>515,721</u>	<u>1,696</u>	<u>701,573</u>
<b>EXPENDITURES</b>				
Salaries and wages	12,848			12,848
Employee benefits	5,940			5,940
Purchased services	4,290			4,290
Supplies	6,732			6,732
Capital outlay	-		10,500	10,500
Miscellaneous	279			279
Student/school activities	147,899			147,899
Debt Service:				
Principal payments		275,000		275,000
Interest		241,662		241,662
Fees		<u>200</u>		<u>200</u>
<b>TOTAL EXPENDITURES</b>	<u>177,988</u>	<u>516,862</u>	<u>10,500</u>	<u>705,350</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>6,168</u>	<u>(1,141)</u>	<u>(8,804)</u>	<u>(3,777)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>98,252</u>	<u>98,252</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>98,252</u>	<u>98,252</u>
<b>NET CHANGE IN FUND BALANCES</b>	6,168	(1,141)	89,448	94,475
<b>FUND BALANCES BEGINNING OF YEAR, AS RESTATED</b>	<u>196,102</u>	<u>185,425</u>	<u>55,843</u>	<u>437,370</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$202,270</u>	<u>\$184,284</u>	<u>\$ 145,291</u>	<u>\$ 531,845</u>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
**JUNE 30, 2020**

	<u>PUBLIC LIBRARY FUND</u>	<u>WOLOSHEN</u>	<u>STUDENT/ SCHOOL ACTIVITIES</u>	<u>TOTAL SPECIAL REVENUE FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 31,203	\$ 26,802	\$ 101,238	\$ 159,243
Investments	-	64,837		64,837
Accounts receivable	1,183			1,183
<b>TOTAL ASSETS</b>	<b><u>\$ 32,386</u></b>	<b><u>\$ 91,639</u></b>	<b><u>\$ 101,238</u></b>	<b><u>\$ 225,263</u></b>
 <b><u>LIABILITIES &amp; FUND BALANCES</u></b>				
LIABILITIES:				
Accounts payable	\$ 7	\$ -	\$ -	\$ 7
Due to other funds	22,986	-		22,986
<b>TOTAL LIABILITIES</b>	<b><u>22,993</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>22,993</u></b>
FUND BALANCES:				
Restricted for:				
Public library	8,727			8,727
Woloshen		89,889		89,889
Committed for:				
Student/school activities			101,238	101,238
Assigned for:				
Subsequent year expenditures	666	1,750		2,416
<b>TOTAL FUND BALANCES</b>	<b><u>9,393</u></b>	<b><u>91,639</u></b>	<b><u>101,238</u></b>	<b><u>202,270</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u>\$ 32,386</u></b>	<b><u>\$ 91,639</u></b>	<b><u>\$ 101,238</u></b>	<b><u>\$ 225,263</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	<b>PUBLIC LIBRARY FUND</b>	<b>WOLOSHEN</b>	<b>STUDENT/ SCHOOL ACTIVITIES</b>	<b>TOTAL SPECIAL REVENUE FUNDS</b>
<b>REVENUES:</b>				
Local sources:				
Investment earnings	\$ -	\$ -	\$ 1,000	\$ 1,000
Student activity income			156,036	156,036
Other	22,285	-		22,285
State sources	4,835			4,835
<b>TOTAL REVENUES</b>	<b>27,120</b>	<b>-</b>	<b>157,036</b>	<b>184,156</b>
<b>EXPENDITURES:</b>				
Salaries and wages	12,848			12,848
Employee benefits	5,940			5,940
Purchased services	2,209	2,081		4,290
Supplies	6,732	-		6,732
Miscellaneous	279			279
Student/school activities			147,899	147,899
<b>TOTAL EXPENDITURES</b>	<b>28,008</b>	<b>2,081</b>	<b>147,899</b>	<b>177,988</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(888)</b>	<b>(2,081)</b>	<b>9,137</b>	<b>6,168</b>
<b>FUND BALANCES BEGINNING OF YEAR, AS RESTATED</b>	<b>10,281</b>	<b>93,720</b>	<b>92,101</b>	<b>196,102</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 9,393</b>	<b>\$ 91,639</b>	<b>\$ 101,238</b>	<b>\$ 202,270</b>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2020**

	<u>2018 DEBT</u>	<u>2012 REFUNDING DEBT</u>	<u>2005 DEBT</u>	<u>TOTAL DEBT SERVICE</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 127,345	\$ 49,012	\$ -	\$ 176,357
Due from other funds	<u>-</u>	<u>7,267</u>	<u>665</u>	<u>7,932</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 127,345</u></u></b>	<b><u><u>\$ 56,279</u></u></b>	<b><u><u>\$ 665</u></u></b>	<b><u><u>\$ 184,289</u></u></b>
 <b><u>LIABILITIES &amp; FUND BALANCES</u></b>				
LIABILITIES:				
Due to other funds	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>
TOTAL LIABILITIES	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
FUND BALANCES:				
Restricted for debt service	<u>127,340</u>	<u>56,279</u>	<u>665</u>	<u>184,284</u>
TOTAL FUND BALANCES	<u>127,340</u>	<u>56,279</u>	<u>665</u>	<u>184,284</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u><u>\$ 127,345</u></u></b>	<b><u><u>\$ 56,279</u></u></b>	<b><u><u>\$ 665</u></u></b>	<b><u><u>\$ 184,289</u></u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	<u>2018 DEBT</u>	<u>2012 REFUNDING DEBT</u>	<u>2005 DEBT</u>	<u>TOTAL DEBT SERVICE</u>
REVENUES:				
Local sources:				
Property taxes	\$ 264,804	\$ 248,003	\$ -	\$512,807
Investment earnings	1,633	1,281	-	2,914
	<u>266,437</u>	<u>249,284</u>	<u>-</u>	<u>515,721</u>
TOTAL REVENUES				
EXPENDITURES:				
Principal payments	75,000	200,000	-	275,000
Interest	180,450	61,212	-	241,662
Fees	-	200	-	200
	<u>255,450</u>	<u>261,412</u>	<u>-</u>	<u>516,862</u>
TOTAL EXPENDITURES				
NET CHANGE IN FUND BALANCES	10,987	(12,128)	-	(1,141)
FUND BALANCES BEGINNING OF YEAR	<u>116,353</u>	<u>68,407</u>	<u>665</u>	<u>185,425</u>
FUND BALANCES END OF YEAR	<u>\$ 127,340</u>	<u>\$ 56,279</u>	<u>\$ 665</u>	<u>\$184,284</u>

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 2012 REFUNDING BONDS**  
**JUNE 30, 2020**

<b>PRINCIPAL DUE MAY 1</b>	<b>RATE</b>	<b>INTEREST DUE</b>		<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</b>	
<u>MAY 1</u>	<u>RATE</u>	<u>MAY 1</u>	<u>NOVEMBER 1</u>	<u>JUNE 30</u>	<u>AMOUNT</u>
\$ 205,000	3.000	\$ 27,606	\$ 27,606	2021	\$ 260,212
210,000	3.000	24,531	24,532	2022	259,063
220,000	3.000	21,381	21,381	2023	262,762
225,000	3.000	18,081	18,082	2024	261,163
235,000	3.000	14,706	14,706	2025	264,412
240,000	3.000	11,181	11,182	2026	262,363
245,000	3.000	7,581	7,581	2027	260,162
250,000	3.125	3,906	3,907	2028	257,813
<u>\$ 1,830,000</u>		<u>\$ 128,973</u>	<u>\$ 128,977</u>		<u>\$ 2,087,950</u>

Bonds in the amount of \$3,485,000 were issued for the purpose of refinancing the 2002 and 2002E bonds.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 2018 BONDS**  
**JUNE 30, 2020**

<b>PRINCIPAL DUE MAY 1</b>	<b>RATE</b>	<b>INTEREST DUE</b>		<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</b>	
		<b>MAY 1</b>	<b>NOVEMBER 1</b>	<b>JUNE 30</b>	<b>AMOUNT</b>
\$ 95,000	4.000	\$ 89,475	\$ 89,475	2021	\$ 273,950
95,000	4.000	87,575	87,575	2022	270,150
100,000	4.000	85,675	85,675	2023	271,350
100,000	3.000	83,675	83,675	2024	267,350
100,000	3.000	82,175	82,175	2025	264,350
105,000	3.000	80,675	80,675	2026	266,350
110,000	4.000	79,100	79,100	2027	268,200
120,000	4.000	76,900	76,900	2028	273,800
350,000	4.000	74,500	74,500	2029	499,000
365,000	4.000	67,500	67,500	2030	500,000
380,000	4.000	60,200	60,200	2031	500,400
395,000	4.000	52,600	52,600	2032	500,200
410,000	4.000	44,700	44,700	2033	499,400
430,000	4.000	36,500	36,500	2034	503,000
445,000	4.000	27,900	27,900	2035	500,800
465,000	4.000	19,000	19,000	2036	503,000
485,000	4.000	9,700	9,700	2037	504,400
<u>\$ 4,550,000</u>		<u>\$ 1,057,850</u>	<u>\$ 1,057,850</u>		<u>\$ 6,665,700</u>

2018 School Building and Site Bonds were issued in the amount of \$4,685,000 for the purpose of remodeling, equipping and re-equipping, and furnishing and refurbishing school facilities; acquiring, installing and equipping school facilities for instructional technology; demolishing the north wing of Kingston Elementary school; and remodeling, developing, equipping and improving playgrounds, athletic structures, athletic facilities and sites of the School District.



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Thomas B. Doran, CPA      David A. Ondrajka, CPA  
Valerie J. Hartel, CPA      Angela M. Burnette, CPA  
Jamie L. Peasley, CPA      Chelsie M. Peruski, CPA  
.....  
Jerry J. Bernhardt

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

To the Board of Education  
Kingston Community Schools  
Kingston, MI 48741

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kingston Community Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2020.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement on the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal controls, described as 2020-001 and 2020-002 in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Kingston Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002.

715 East Frank Street • Caro, MI 48723  
989-673-3137      fax: 989-673-3375  
1-800-234-8829

2956 Main Street • Marlette, MI 48453  
989-635-7545      fax: 989-635-7547

6476 Main Street, Suite 1 • Cass City, MI 48726  
989-872-3730      fax: 989-872-3978

**KINGSTON COMMUNITY SCHOOLS' RESPONSE TO FINDINGS**

Kingston Community Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Kingston Community Schools' 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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CARO, MICHIGAN**

November 14, 2020

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2020**

Finding considered a significant deficiency

**Finding 2020-001**

Criteria:

SAS 115 requires auditors to evaluate entries posted subsequent to year-end and assess whether the entries are period-end closing, cut-off entries, or entries that should have been recorded throughout the year.

Condition:

Adjustments were made to the general ledger subsequent to year-end, which resulted in several changes to the final trial balances. Timely review and reconciliation of accounts was not consistently performed during the year.

Context:

Adjustments that were identified during the audit, either by management or as a result of audit procedures, impacted expenditures, revenues, assets, and liabilities within the governmental funds. These adjustments were corrected by management and are reflected in the financial statements.

Cause:

The majority of adjustments and corrections proposed resulted from lack of timely review of account reconciliations.

Effect:

Audit adjustments were required to reconcile certain accounts.

Recommendation:

General ledger accounts should be reconciled on a regular basis in order to present accurate financial statements to management and the Board of Education.

Client Response:

We will review our year-end entry procedures and work to make sure accounts are reconciled throughout the year.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2020**

Finding considered a significant deficiency

**Finding 2020-002**

Criteria:

Compliance with the Uniform Budgeting and Accounting Act. MCL (Michigan Compile Laws) 141.437 states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues an amendment should be adopted to prevent expenditures from exceeding available revenues including prior year fund balance.

Condition:

The District's budget reflects estimated revenues higher than actual and budgeted expenditures less than actual.

Effect:

At June 30, 2020, the District's general fund final budget anticipated adding \$100,067 to the District's fund balance. The actual result was a decrease of \$19,080 to fund balance. Likewise, the District's food service final budget anticipated adding \$2,143 to the District's fund balance. The actual result was a decrease of \$3,429 to fund balance. These differences created a total negative budget to actual variance in the general fund and food service fund of \$119,147 and \$5,572, respectively.

Cause:

The primary reason was not properly budgeting revenues and expenditures. In addition, there was a revenue funding adjustment made by the state after the final budget amendment was passed in June 2020 reducing unrestricted state aid revenue by \$175 per pupil for the year ended June 30, 2020. This adjustment resulted in the District receiving \$102,191 less in state funding than anticipated by the District at the time the final budget amendment was approved.

Recommendation:

The District should implement budgeting procedures to budget more conservatively for revenues and expenditures. The District should also implement procedures to schedule emergency board meetings for budget amendments, (if necessary).

Client Response:

The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.



# KINGSTON COMMUNITY SCHOOLS

5790 State Street

Kingston, MI 48741

---

*"We believe in developing creative minds, building leaders, fostering a love for community and striving for excellence."*

KINGSTON COMMUNITY SCHOOLS  
CORRECTIVE ACTION PLAN  
JUNE 30, 2020

Kingston Community School District respectfully submits the following corrective action plan for the year ended June 30, 2020.

Auditor: Anderson, Tuckey, Bernhardt & Doran, PC  
715 E Frank St  
Caro, MI 48723

Audit Period: Year ended June 30, 2020

Responsible Official: Shona Vennevy, Business Manager

The findings from the June 30, 2020 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Findings – Significant deficiency

Finding 2020-001

Recommendation: Adjustments were made to the general ledger subsequent to year-end, which resulted in several changes to the final trial balances. We recommend that the district reconcile on a regular basis in order to present accurate financial statements to management and the Board of Education.

Action to be taken: The district will ensure that all accounts are reconciled upon bank statement reconciliation and review all accounts on a monthly basis to ensure accuracy. Thus needing less general ledger adjustments at the end of the fiscal year.



# KINGSTON COMMUNITY SCHOOLS

5790 State Street

Kingston, MI 48741

---

*"We believe in developing creative minds, building leaders, fostering a love for community and striving for excellence."*

## KINGSTON COMMUNITY SCHOOLS CORRECTIVE ACTION PLAN JUNE 30, 2020

Kingston Community School District respectfully submits the following corrective action plan for the year ended June 30, 2020.

**Auditor:** Anderson, Tuckey, Bernhardt & Doran, PC  
715 E Frank St  
Caro, MI 48723

**Audit Period:** Year ended June 30, 2020

**Responsible Official:** Shona Vennevy, Business Manager

The findings from the June 30, 2020 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

### Findings – Significant deficiency

#### Finding 2020-002

**Recommendation:** The district should implement budgeting procedures to budget more conservatively for revenues and expenditures. The district should also implement procedures to schedule emergency board meetings for budget amendments (if necessary).

**Action to be taken:** The district will ensure that all future budget procedures are prepared more conservatively and should we have another situation where state aid was retracted, the district will hold an emergency board meeting to approve the necessary adjustments. Thus, creating less deficiencies within the district's budgets.



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Thomas B. Doran, CPA     David A. Ondrajka, CPA  
Valerie J. Hartel, CPA     Angela M. Burnette, CPA  
Jamie L. Peasley, CPA     Chelsie M. Peruski, CPA  
.....  
Jerry J. Bernhardt

To the Members of the Board  
**Kingston Community Schools**

We have audited the financial statements of **Kingston Community Schools** for the year ended **June 30, 2020** and have issued our report thereon dated November 14, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of **Kingston Community Schools**. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of **Kingston Community Schools'** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by **Kingston Community Schools** are described in Note 1 to the financial statements. During 2020, the District implemented Governmental Accounting Standard No. 84, *Fiduciary Activities*. The application of existing policies was not changed during 2020. We noted no transactions entered into by **Kingston Community Schools** during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences.

We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We have proposed adjustments that we consider to be significant and have communicated this to management.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 14, 2020.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to **Kingston Community Schools'** financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as **Kingston Community Schools'** auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Members of the Board and management of **Kingston Community Schools** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

Anderson, Tuckey, Bernhardt, & Doran, P.C.  
Certified Public Accountants  
Caro, Michigan

November 14, 2020