

KENTWOOD PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Kentwood Public Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kentwood Public Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Kentwood Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kentwood Public Schools, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kentwood Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, in 2023 the District adopted new accounting guidance, GASB Statement No. 96, *Subscription-based IT Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kentwood Public Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentwood Public Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kentwood Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023 on our consideration of Kentwood Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kentwood Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kentwood Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

September 27, 2023

KENTWOOD PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the Kentwood Public Schools' (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the District's financial statements which immediately follow this section. A comparative analysis with the prior year has been provided.

District-wide Financial Statements

The first two statements are District-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, liabilities, deferred inflows of resources, and deferred outflows of resources, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term obligations of the District resulting in total net position.

Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating. To assess the District's overall financial health, one should consider additional factors which may include the State's and/or region's economic condition, changes in the District's property tax base, and age and condition of its capital assets.

Fund Financial Statements

For the most part, the fund financial statements are comparable to financial statements for the previous fiscal year. The fund level statements are reported on a modified accrual basis in that only those assets that are deemed "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with 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 categorized as Special Revenue, Debt Service, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are considered expenditures in the year of acquisition with no asset being reported. The issuance of debt is treated 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.

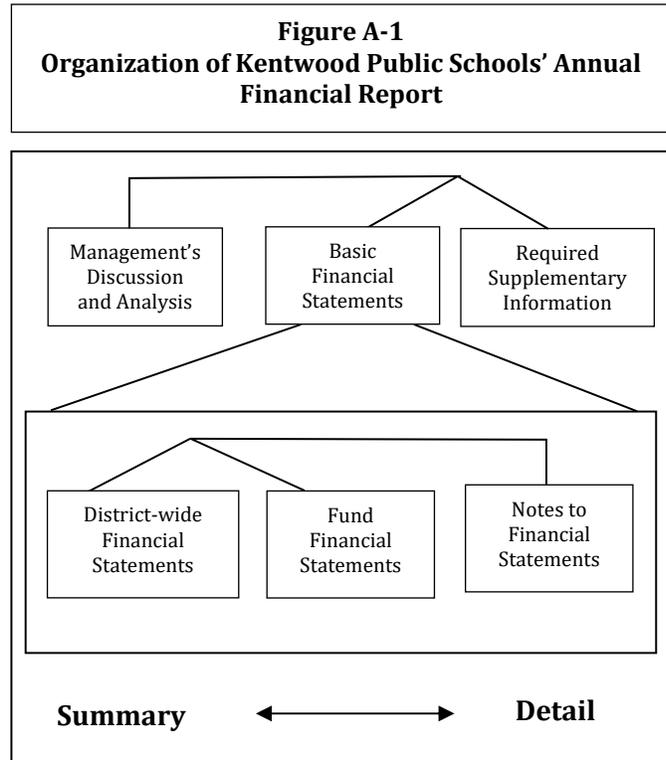
KENTWOOD PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



FUND FINANCIAL STATEMENTS

The fund financial statements are reported on a modified accrual basis and consist of governmental funds. Governmental funds include most of the District's basic services which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending on future District programs. Some of these funds are established by State law and by bond covenants while others can be established for the District to control and manage money for a particular purpose such as school lunch and student/school activities.

**KENTWOOD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - The District's combined net deficit improved as of June 30, 2023 as compared to the previous year ended June 30, 2022.

Kentwood Public Schools' Net Position		
	2023	2022*
ASSETS		
Current assets	\$ 129,987,725	\$ 58,915,800
Capital assets	205,437,038	189,848,560
TOTAL ASSETS	335,424,763	248,764,360
DEFERRED OUTFLOWS OF RESOURCES	93,357,060	50,790,996
LIABILITIES		
Non-current liabilities	160,683,319	77,674,184
Net pension liability	236,028,964	147,673,025
Net other postemployment benefits liability	13,202,087	9,658,345
Other liabilities	27,467,338	27,495,989
TOTAL LIABILITIES	437,381,708	262,501,543
DEFERRED INFLOWS OF RESOURCES	46,486,811	94,841,538
NET POSITION		
Net investment in capital assets	121,820,919	121,830,467
Restricted for capital projects (sinking fund)	2,032,006	112,949
Unrestricted	(178,939,621)	(180,509,557)
TOTAL NET POSITION	\$ (55,086,696)	\$ (57,787,725)
*The 2022 figures have not been updated for the adoption of GASB 96.		

The District's combined net position at the beginning of the fiscal year was (\$57,787,725) and on June 30, 2023 it is (\$55,086,696) which represents an improvement of \$2,701,029 as recorded in the statement of activities.

**KENTWOOD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

Changes in Kentwood Public Schools' Net Position		
	2023	2022*
REVENUES		
Program revenues		
Charges for services	\$ 835,690	\$ 1,496,036
Operating grants and contributions	51,459,466	48,183,007
General revenues		
Property taxes	35,473,310	34,600,738
Investment earnings	1,312,485	25,293
State sources	62,290,604	54,070,298
Interdistrict sources	16,533,561	13,314,990
Gain on disposal of capital assets	81,421	-
Other	867,432	1,440,997
TOTAL REVENUES	168,853,969	153,131,359
EXPENSES		
Instruction	81,775,816	67,083,342
Support services	59,059,796	44,510,676
Community services	838,627	515,558
Athletics	2,954,927	1,366,458
Food services	8,348,243	5,620,295
Student / school activities	889,575	800,370
Other	-	4,248,862
Unallocated depreciation/amortization	8,773,179	9,069,664
Interest on long-term debt	3,512,777	2,395,997
TOTAL EXPENSES	166,152,940	135,611,222
Change in net position	\$ 2,701,029	\$ 17,520,137
*The 2022 figures have not been updated for the adoption of GASB 96.		

STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from \$4,200 per student in 1995 to \$9,150 per student in 2022-2023. The per student State foundation allowance increased \$450 as compared to the prior year.
- b. The District's non-personal residence exempt levy for 2022-2023 was 18.0000 mills.

Student enrollment increased from 9,224 in 2021-2022 to 9,271 in 2022-2023. For the subsequent school year, it is hopeful that enrollment will remain consistent with 2022-2023.

**KENTWOOD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

GOVERNMENTAL FUNDS

Results of Operations

For the fiscal years ended June 30, 2023 and 2022, the total fund-level results of operations were:

	2023	2022*
REVENUES		
Local sources	\$ 39,515,268	\$ 37,037,292
State sources	95,710,199	79,991,058
Federal sources	24,051,352	24,668,242
Interdistrict sources	16,533,561	13,314,990
	<u>\$ 175,810,380</u>	<u>\$ 155,011,582</u>
EXPENDITURES		
Current		
Instruction	\$ 83,493,165	\$ 75,422,869
Supporting services	61,813,752	54,735,074
Food service activities	7,106,303	5,620,981
Student / school activities	889,575	800,370
Community service activities	876,246	581,815
Capital outlays	30,431,157	15,482,551
Debt service		
Principal	8,000,000	7,595,000
Interest	3,424,460	2,933,600
Other	609,400	791,202
	<u>\$ 196,644,058</u>	<u>\$ 163,963,462</u>
*The 2022 figures have not been updated for the adoption of GASB 96.		

The following summarizes the revenues and expenses by comparing fiscal year 2023 to 2022 as shown in the previous results of operations.

- State sources increased due to increases in the foundation allowance on a per pupil basis as well as increases to 147c funding and new 147c2 funding.
- Federal sources decreased due to lower child nutrition claims due to changes to the reimbursement methodology.
- Expenses increased from approximately \$164.0 million in 2022 to \$196.7 million in 2023, an increase of approximately \$32.6 million. The increase is due to additional funds spent on capital expenditures in the various capital projects funds as well as increases in instruction and supporting services to cover COVID-19 related costs.

**KENTWOOD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

GENERAL FUND AND BUDGET HIGHLIGHTS

Original vs. Final Budget

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 July 1, the start of the fiscal year. The original 2022-2023 budget was approved in June 2022.

The 2022-2023 budget was revised twice during the fiscal year and approved by the Board of Education in February and June 2023. The final budget revision anticipated higher revenues and higher expenditures than was expected in June 2022 when the original budget was approved. The increase in revenues was a result of receiving significantly more state funding than anticipated. The increase in expenditures was the result of COVID-19 related purchases and added operational costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2023, the District had invested \$339.8 million in a broad range of capital assets as shown below:

Kentwood Public Schools' Capital Assets				
	<u>2023</u>			<u>As Restated 2022</u>
	<u>Cost</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 3,499,206	\$ -	\$ 3,499,206	\$ 3,499,206
Construction in progress	24,122,286	-	24,122,286	11,458,820
Building and improvements	278,351,520	115,180,486	163,171,034	159,496,702
Machinery, furniture, and equipment	28,532,432	16,065,604	12,466,828	13,745,102
Right to use - subscription-based IT	828,521	164,907	663,614	731,427
Vehicles	4,439,210	2,925,140	1,514,070	1,648,730
Total	<u>\$ 339,773,175</u>	<u>\$ 134,336,137</u>	<u>\$ 205,437,038</u>	<u>\$ 190,579,987</u>

**KENTWOOD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

LONG-TERM OBLIGATIONS

At year-end, the District had \$160.7 million in long-term obligations, an approximately \$74.1 million increase when compared to the prior year. The District paid down its outstanding bonds with principal payments of \$8.0 million but also issued the 2023 Building and Site Bonds with total proceeds, including premiums, of approximately \$82.8 million.

Kentwood Public Schools Outstanding Long-Term Obligations		
	2023	2022
General obligation bonds - net	\$ 159,008,656	\$ 84,665,264
Compensated absences	1,674,663	1,881,022
	\$ 160,683,319	\$ 86,546,286

FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several factors that could significantly affect the financial health of the District in the future.

The fluctuations in student foundation funding levels, along with funding for various K-12 education programs, are a direct reflection of the economic challenges encountered by both the State of Michigan and the District. A critical determinant of the District's financial health is the student enrollment count. The General Fund, which serves as a primary source of revenue for the District, relies on the State's per-pupil allowance, supplemented by State aid and property taxes. It is important to note that, in accordance with State law, the District is prohibited from levying additional property tax revenue for general operational purposes.

In response to the COVID-19 pandemic, the Federal Government enacted several financial relief acts to provide critical support to states and school districts, addressing a spectrum of educational needs. These needs encompass the multifaceted challenges encountered in delivering education during the pandemic and the ongoing challenge to address unfinished learning. These one-time funds expire on September 30, 2024, creating a fiscal challenge for all recipients. To navigate this, the Kentwood Board of Education directs ongoing budget adjustments, ensuring a sufficient fund balance. District leadership is committed to prudently managing these funds, aiming for a lasting impact on our educational programs and students' well-being, while deeply appreciating the support of our staff, board members, and the community.

In May 2021, the voters approved a \$192 million bond proposal aimed at advancing excellence and innovation in our educational programs, enhancing educational technology and security, and ensuring student and staff health and wellness. Subsequently, more than \$28.5 million has already been allocated towards these significant projects. The remaining funds are earmarked for gradual expenditure through 2031, strategically addressing the continued needs of the District while sustaining our commitment to educational enhancement and safety. Kentwood Public Schools remains dedicated to sound financial management while strategically advancing its goals for educational excellence. The financial landscape is marked by both opportunities and challenges, including the uncertainty of student foundation funding levels, the impending fiscal cliff of expiring federal funds, and the ongoing capital needs of the District.

**KENTWOOD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

As part of our commitment to financial responsibility and alignment with our strategic goal plans, which include fostering a culture of excellence, providing equitable opportunities and outcomes, creating whole-child environments, and cultivating high-impact diverse staff, we diligently maintain a minimum fund balance of 10% of total expenses. This ensures the long-term stability of our educational programs and supports our vision for a thriving educational community.

We deeply appreciate the continued support of our staff, board members, and the community as we navigate these financial complexities to achieve our educational mission and strategic goals.

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 revenues it receives. If you have any questions about this report or need any additional information, please contact Todd Bell, Executive Director of Finance and Business Operations, in the Administration Office, Kentwood Public Schools, 5820 Eastern Ave., Kentwood, Michigan, phone number 616-455-4400.

BASIC FINANCIAL STATEMENTS

**KENTWOOD PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,669,364
Investments	16,846,747
Receivables	
Accounts receivable	1,698,996
Intergovernmental	23,432,041
Prepays	406,414
Inventories	413,589
Restricted cash and cash equivalents - capital projects	3,668,300
Restricted investments - capital projects	78,852,274
Capital assets not being depreciated/amortized	27,621,492
Capital assets, net of accumulated depreciation/amortization	177,815,546
TOTAL ASSETS	335,424,763
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	74,515,189
Related to other postemployment benefits	18,841,871
TOTAL DEFERRED OUTFLOWS OF RESOURCES	93,357,060
LIABILITIES	
Accounts payable	9,996,212
Due to other governmental units	790,044
Accrued salaries and related items	6,256,090
Accrued retirement	5,355,982
Unearned revenue	4,000,832
Accrued interest	1,068,178
Noncurrent liabilities	
Due within one year	4,782,466
Due in more than one year	155,900,853
Net pension liability	236,028,964
Net other postemployment benefits liability	13,202,087
TOTAL LIABILITIES	437,381,708
DEFERRED INFLOWS OF RESOURCES	
Related to unavailable revenue - Leases	1,371,646
Related to pensions	714,493
Related to other postemployment benefits	27,332,800
Related to state aid funding for pension	17,067,872
TOTAL DEFERRED INFLOWS OF RESOURCES	46,486,811
NET POSITION	
Net investment in capital assets	121,820,919
Restricted for capital projects (sinking fund)	2,032,006
Unrestricted	(178,939,621)
TOTAL NET POSITION	\$ (55,086,696)

See notes to financial statements.

**KENTWOOD PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 81,775,816	\$ 430,875	\$ 38,978,044	\$ (42,366,897)
Support services	59,059,796	-	3,376,525	(55,683,271)
Community services	838,627	146,948	-	(691,679)
Athletics	2,954,927	162,609	-	(2,792,318)
Food services	8,348,243	95,258	8,250,322	(2,663)
Student / school activities	889,575	-	854,575	(35,000)
Unallocated depreciation/amortization	8,773,179	-	-	(8,773,179)
Interest on long-term debt	3,512,777	-	-	(3,512,777)
Total governmental activities	<u>\$ 166,152,940</u>	<u>\$ 835,690</u>	<u>\$ 51,459,466</u>	<u>(113,857,784)</u>
General revenues				
Property taxes, levied for general purposes				21,586,366
Property taxes, levied for debt service				9,954,500
Property taxes, levied for capital projects (sinking fund)				3,932,444
Investment earnings				1,312,485
State sources				62,290,604
Intermediate sources				16,533,561
Other				867,432
Gain on disposal of capital assets				81,421
Total general revenues				<u>116,558,813</u>
CHANGE IN NET POSITION				2,701,029
NET POSITION, beginning of year				<u>(57,787,725)</u>
NET POSITION, end of year				<u>\$ (55,086,696)</u>

See notes to financial statements.

**KENTWOOD PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	2023 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,208,303	\$ -	\$ 1,461,061	\$ 4,669,364
Investments	12,183,954	-	4,662,793	16,846,747
Receivables				
Accounts receivable	1,543,036	150,960	5,000	1,698,996
Intergovernmental	23,326,874	-	105,167	23,432,041
Due from other funds	-	1,694,100	1,438,955	3,133,055
Prepays	406,164	-	250	406,414
Inventories	375,317	-	38,272	413,589
Restricted cash and cash equivalents - capital projects	-	1,915,581	1,752,719	3,668,300
Restricted investments - capital projects	-	78,852,274	-	78,852,274
TOTAL ASSETS	\$ 41,043,648	\$ 82,612,915	\$ 9,464,217	\$ 133,120,780
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,560,106	\$ 7,220,378	\$ 1,215,728	\$ 9,996,212
Due to other governmental units	790,044	-	-	790,044
Due to other funds	2,242,385	-	890,670	3,133,055
Accrued salaries and related items	6,206,725	-	49,365	6,256,090
Accrued retirement	5,345,982	-	10,000	5,355,982
Unearned revenue	3,938,204	-	62,628	4,000,832
TOTAL LIABILITIES	20,083,446	7,220,378	2,228,391	29,532,215
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - leases	1,371,646	-	-	1,371,646
FUND BALANCES				
Nonspendable:				
Prepays	406,164	-	250	406,414
Inventory	375,317	-	38,272	413,589
Restricted for:				
Debt service	-	-	703,865	703,865
Food service	-	-	3,947,444	3,947,444
Capital projects	-	75,392,537	2,032,006	77,424,543

See notes to financial statements.

	General Fund	2023 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (continued)				
FUND BALANCES (continued)				
Committed - student/school activities	\$ -	\$ -	\$ 513,989	\$ 513,989
Assigned - budgeted use of fund balance	3,247,700	-	-	3,247,700
Unassigned	<u>15,559,375</u>	<u>-</u>	<u>-</u>	<u>15,559,375</u>
 TOTAL FUND BALANCES	 <u>19,588,556</u>	 <u>75,392,537</u>	 <u>7,235,826</u>	 <u>102,216,919</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 <u>\$ 41,043,648</u>	 <u>\$ 82,612,915</u>	 <u>\$ 9,464,217</u>	 <u>\$ 133,120,780</u>
 Total governmental fund balances				 \$ 102,216,919
Amounts reported for governmental activities in the statement of net position are different because:				
Deferred outflows of resources - related to pensions				74,515,189
Deferred inflows of resources - related to pensions				(714,493)
Deferred outflows of resources - related to other postemployment benefits				18,841,871
Deferred inflows of resources - related to other postemployment benefits				(27,332,800)
Deferred inflows of resources - related to state aid funding for pensions				(17,067,872)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
The cost of capital assets is			\$ 339,773,175	
Accumulated depreciation/amortization is			<u>(134,336,137)</u>	205,437,038
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
General obligation bonds				(159,008,656)
Compensated absences				(1,674,663)
Accrued interest				(1,068,178)
Net pension liability				(236,028,964)
Net other postemployment benefits liability				<u>(13,202,087)</u>
 Net position of governmental activities				 <u>\$ (55,086,696)</u>

See notes to financial statements.

KENTWOOD PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>2023 Capital Projects Fund</u>	<u>2022 Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources	\$ 23,598,528	\$ 301,682	\$ 497,282	\$ 15,117,776	\$ 39,515,268
State sources	94,657,023	-	-	1,053,176	95,710,199
Federal sources	15,985,505	-	-	8,065,847	24,051,352
Interdistrict sources	16,533,561	-	-	-	16,533,561
TOTAL REVENUES	<u>150,774,617</u>	<u>301,682</u>	<u>497,282</u>	<u>24,236,799</u>	<u>175,810,380</u>
EXPENDITURES					
Current					
Instruction	83,493,165	-	-	-	83,493,165
Supporting services	61,813,752	-	-	-	61,813,752
Community service activities	876,246	-	-	-	876,246
Food service activities	-	-	-	7,106,303	7,106,303
Student/school activities	-	-	-	889,575	889,575

See notes to financial statements.

	General Fund	2023 Capital Projects Fund	2022 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)					
Capital outlay	\$ 1,833,995	\$ 7,074,863	\$ 15,081,919	\$ 6,440,380	\$ 30,431,157
Debt service					
Principal repayment	-	-	-	8,000,000	8,000,000
Interest	-	-	-	3,424,460	3,424,460
Other	-	608,401	-	999	609,400
TOTAL EXPENDITURES	148,017,158	7,683,264	15,081,919	25,861,717	196,644,058
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,757,459	(7,381,582)	(14,584,637)	(1,624,918)	(20,833,678)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	81,421	-	-	-	81,421
Proceeds from issuance of bonds	-	76,420,000	-	-	76,420,000
Premium on issuance of bonds	-	6,354,119	-	-	6,354,119
Transfers in	422,400	-	-	-	422,400
Transfers out	-	-	-	(422,400)	(422,400)
TOTAL OTHER FINANCING SOURCES (USES)	503,821	82,774,119	-	(422,400)	82,855,540
NET CHANGE IN FUND BALANCES	3,261,280	75,392,537	(14,584,637)	(2,047,318)	62,021,862
FUND BALANCES					
Beginning of year, as restated	16,327,276	-	14,584,637	9,283,144	40,195,057
End of year	<u>\$ 19,588,556</u>	<u>\$ 75,392,537</u>	<u>\$ -</u>	<u>\$ 7,235,826</u>	<u>\$ 102,216,919</u>

See notes to financial statements.

**KENTWOOD PUBLIC 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, 2023**

Net change in fund balances total governmental funds \$ 62,021,862

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

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation/amortization:

Depreciation/amortization expense	(8,773,179)
Capital outlay	23,630,230

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

Accrued interest payable, beginning of the year	634,571
Accrued interest payable, end of the year	(1,068,178)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of 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 is the treatment of long-term debt and related items and are as follows:

Payments on bonded debt	8,000,000
Proceeds from sale of bonds	(76,420,000)
Premium on issuance of bonds	(6,354,119)
Amortization of deferred charges on refunding	(85,437)
Amortization of bond premium	430,727

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year	1,881,022
Accrued compensated absences, end of the year	(1,674,663)

Some revenues and 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:

Pension related items	(2,281,799)
Other postemployment benefits related items	9,805,472

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	(7,045,480)
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Change in net position of governmental activities **\$ 2,701,029**

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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 nonfiduciary activities of the District. All fiduciary activities, if any, are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Reporting Entity

The Kentwood Public Schools (the "District") is governed by the Kentwood Public 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 sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by 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 the 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. 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 *2022 and 2023 Bonded Construction Capital Projects Funds* are used to account for capital projects 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.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The projects for which the 2016 and 2022 School Building and Site Bonds were issued were considered complete as of June 30, 2023 while the projects for which the 2023 School Building and Site Bonds were issued were considered in process as of June 30, 2023. The cumulative revenues, other financing sources (uses), and expenditures recognized for the construction period were as follows:

	2016 Capital Projects Fund	2022 Capital Projects Fund	2023 Capital Projects Fund
Revenues and other financing sources	\$ 66,774,088	\$ 20,581,831	\$ 83,075,801
Expenditures and other financing uses	\$ 66,774,088	\$ 20,581,831	\$ 7,683,264

Other Nonmajor 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 food service, and student/school activities as special revenue funds.

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

The *2016 Bonded Construction Capital Projects Fund* is used to account for capital projects 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.

The *Capital Projects Sinking Fund* accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

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. 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.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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 generally 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 leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 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 Exemption (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 30 is reported as intergovernmental receivable.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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 funds. 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.

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

- a. The Administration 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.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. 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, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. 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.
- e. The budget was amended once during the fiscal year. Although the district does consider the amendment to be significant, it was deemed necessary due to circumstances that were not reasonably expected at the time the original budget was adopted.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 highest classifications established by not less than two 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.

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.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, which include land, construction in progress, building and improvements, machinery, furniture, and equipment, vehicles, and right to use assets 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 \$5,000 and an estimated useful life in excess of one year. 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.

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the subscription period or the estimated useful lives. The other capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Building and improvements	20 - 50 years
Machinery, furniture, and equipment	5 - 15 years
Right to use - subscription-based IT	2 - 7 years
Vehicles	5 - 15 years

Defined Benefit Plans

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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 qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third 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. The District also reports unavailable revenues from one source: leases. These amounts are long-term leases entered into by the District in which the District is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

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.

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.

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The 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.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies (continued)

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 balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Leases - Lessor

The District is a lessor for various noncancelable leases. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the District determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-based IT Arrangements (SBITA)

Subscriber: The District is a subscriber under noncancelable subscription arrangements for information technology. The District recognizes SBITA liabilities and intangible right-to-use SBITA assets in the government-wide financial statements.

At the commencement of a subscription, the District initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases included how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Subscription-based IT Arrangements (SBITA) (continued)

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for the SBITA.
- The SBITA term includes the noncancelable period of the subscription. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term obligations on the statement of net position. As of the year ended June 30, 2023, all of the SBITA agreements were prepaid and, as a result, a corresponding SBITA liability is not reported.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Revenues and Expenditures/Expenses

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 of 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.

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Approximately half of the taxes are levied and become a lien as of July 1, and the remaining taxes are levied and become a lien on December 1. These taxes are due September 14 and February 14, respectively, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Property Taxes (continued)

For the year ended June 30, 2023, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property (CPP)	6.0000
Debt Service Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	4.0000
Capital Projects Sinking Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	1.5718

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.

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 in 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.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2023 the District had deposits subject to the following risks:

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, 2023, \$8,196,345 of the District’s bank balance of \$8,696,345 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 \$8,337,664.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.

Investment Type	Fair Value	Weighted Average Maturity
MILAF External Investment Pool - CMC	\$ 4,642,725	N/A
MILAF External Investment Pool - MAX	67,921,296	N/A
MILAF Term	23,135,000	0.624
Total fair value	\$ 95,699,021	
Portfolio weighted average maturity		0.624

One day maturity equals 0.0027, one year equals 1.00.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	\$ 4,642,725	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX	67,921,296	AAAm	Standard & Poor's
MILAF External Investment Pool - Term	<u>23,135,000</u>	AAAkf	Kroll
Total fair value	<u>\$ 95,699,021</u>		

Foreign Currency Risk

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

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 District does not have any investments subject to the fair value measurement.

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.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

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

Investment Type	Amortized Cost
MILAF External Investment Pool - CMC	\$ 4,642,725
MILAF External Investment Pool - MAX	67,921,296
	\$ 72,564,021

Investments in Entities that Calculate Net Asset Value per share

The District holds shares or interests in the Michigan Liquid Asset Fund (MILAF) Term Series, where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The MILAF Term Series includes investments that the District does not control. The investment pool invests primarily in high-quality money market instruments, including certificates of deposit, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

At the year ended June 30, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MILAF External Investment Pool - Term	\$ 23,135,000	\$ -	No restrictions	None

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, 2023:

	Primary Government
Cash and cash equivalents	\$ 4,669,364
Investments	16,846,747
Restricted cash and cash equivalents - capital projects	3,668,300
Restricted investments - capital projects	78,852,274
	\$ 104,036,685

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2023 consist of the following:

	Government- wide
State aid	\$ 18,161,230
Federal revenue	4,740,728
Interdistrict	519,754
Other	10,329
	\$ 23,432,041

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:

	As restated Balance July 1, 2022	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2023
Assets not being depreciated/amortized				
Land	\$ 3,499,206	\$ -	\$ -	\$ 3,499,206
Construction in progress	11,458,820	19,712,438	7,048,972	24,122,286
Subtotal	14,958,026	19,712,438	7,048,972	27,621,492
Other capital assets				
Building and improvements	268,157,277	10,194,243	-	278,351,520
Machinery, furniture, and equipment	28,103,210	429,222	-	28,532,432
Right to use - subscription-based IT	731,427	97,094	-	828,521
Vehicles	5,014,312	246,205	821,307	4,439,210
Subtotal	302,006,226	10,966,764	821,307	312,151,683
Accumulated depreciation/amortization				
Building and improvements	108,660,575	6,519,911	-	115,180,486
Machinery, furniture, and equipment	14,358,108	1,707,496	-	16,065,604
Right to use - subscription-based IT	-	164,907	-	164,907
Vehicles	3,365,582	380,865	821,307	2,925,140
Total accumulated depreciation/amortization	126,384,265	8,773,179	821,307	134,336,137
Net capital assets being depreciated/amortized	175,621,961	2,193,585	-	177,815,546
Net governmental capital assets	\$ 190,579,987	\$ 21,906,023	\$ 7,048,972	\$ 205,437,038

Depreciation/amortization for the fiscal year ended June 30, 2023 amounted to \$8,773,179. The District determined that it was impractical to allocate depreciation/amortization to the various activities as the assets serve multiple functions.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2023:

	<u>General Obligation Bonds</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance July 1, 2022	\$ 84,665,264	\$ 1,881,022	\$ 86,546,286
Additions	82,774,119	-	82,774,119
Deletions	<u>(8,430,727)</u>	<u>(206,359)</u>	<u>(8,637,086)</u>
Balance June 30, 2023	159,008,656	1,674,663	160,683,319
Due within one year	<u>(4,615,000)</u>	<u>(167,466)</u>	<u>(4,782,466)</u>
Due in more than one year	<u>\$ 154,393,656</u>	<u>\$ 1,507,197</u>	<u>\$ 155,900,853</u>

Long-term obligations at June 30, 2023 are comprised of the following issues:

General Obligation Bonds

2016 School Building and Site bonds due in annual installments of \$1,200,000 to \$1,205,000 through May 1, 2044, with interest rates of 5.00%.

\$ 25,290,000

2019 School Building and Site bonds due in annual installments of \$1,055,000 to \$1,450,000 through May 1, 2036, with interest rates ranging from 4.00% to 5.00%.

17,340,000

2020 School Building and Site bonds due in annual installments of \$215,000 to \$390,000 through May 1, 2044, with interest rates ranging from 3.00% to 4.00%.

7,800,000

2022 School Building and Site bonds due in annual installments of \$350,000 to \$1,695,000 through May 1, 2048, with interest rates ranging from 4.00% to 5.00%.

19,775,000

2023 School Building and Site bonds due in annual installments of \$650,000 to \$4,960,000 through May 1, 2053, with interest rates of 5.00%.

76,420,000

Plus issuance premium

12,383,656

Total general obligation bonds

159,008,656

Compensated absences

1,674,663

Total long-term obligations

\$ 160,683,319

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding, including interest, exclusive of compensated absences payments as of June 30, 2023, are as follows:

Year Ending June 30,	General Obligation Bonds		Compensated Absences	Total
	Principal	Interest		
2024	\$ 4,615,000	\$ 6,716,872	\$ -	\$ 11,331,872
2025	5,060,000	6,811,625	-	11,871,625
2026	5,630,000	6,577,425	-	12,207,425
2027	3,160,000	6,315,875	-	9,475,875
2028	3,260,000	6,177,425	-	9,437,425
2029 - 2033	17,495,000	28,637,975	-	46,132,975
2034 - 2038	21,835,000	24,044,875	-	45,879,875
2039 - 2043	27,855,000	18,441,375	-	46,296,375
2044 - 2048	32,915,000	11,018,550	-	43,933,550
2049 - 2053	24,800,000	3,720,000	-	28,520,000
	146,625,000	118,461,997	-	265,086,997
Issuance premium	12,383,656	-	-	12,383,656
Compensated absences	-	-	1,674,663	1,674,663
	<u>\$ 159,008,656</u>	<u>\$ 118,461,997</u>	<u>\$ 1,674,663</u>	<u>\$ 279,145,316</u>

Interest expense (all funds) for the year ended June 30, 2023 was approximately \$3,424,000.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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.

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, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over an 17-year period beginning October 1, 2021 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, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$29,755,000. Of the total pension contributions approximately \$28,720,000 was contributed to fund the Defined Benefit Plan and approximately \$1,035,000 was contributed to fund the Defined Contribution Plan.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$5,738,000. Of the total OPEB contributions approximately \$5,163,000 was contributed to fund the Defined Benefit Plan and approximately \$575,000 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 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.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total Pension Liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan Fiduciary Net Position	\$ 58,268,076,344	\$ 62,717,060,920
Net Pension Liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate Share	0.62759%	0.62374%
Net Pension Liability for the District	\$ 236,028,964	\$ 147,673,025

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2023, the District recognized pension expense of \$31,001,777.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual pension plan investment earnings	\$ 553,488	\$ -
Differences between expected and actual experience	2,361,113	527,736
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,146,396	186,757
Changes of assumptions	40,558,234	-
Reporting Unit's contributions subsequent to the measurement date	26,895,958	-
	\$ 74,515,189	\$ 714,493

\$26,895,958, 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:

Year Ending	Amount
2023	\$ 14,517,930
2024	10,398,245
2025	8,335,239
2026	13,653,324

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 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.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total other postemployment benefits liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan fiduciary net position	\$ 10,404,650,683	\$ 10,520,015,621
Net other postemployment benefits liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate share	0.62331%	0.63276%
Net other postemployment benefits liability for the District	\$ 13,202,087	\$ 9,658,345

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

For the year ended June 30, 2023, the District recognized OPEB benefit of \$4,642,561.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual other postemployment benefits plan investment earnings	\$ 1,031,847	\$ -
Differences between expected and actual experience	-	25,857,831
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,640,479	516,797
Changes of assumptions	11,767,444	958,172
Reporting Unit's contributions subsequent to the measurement date	<u>4,402,101</u>	<u>-</u>
	<u>\$ 18,841,871</u>	<u>\$ 27,332,800</u>

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

\$4,402,101, 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 Ending	Amount
2023	\$ (4,351,708)
2024	(4,002,634)
2025	(3,856,929)
2026	(337,838)
2027	(325,100)
2028	(18,821)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

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

Inflation - 3.0%.

Mortality Assumptions -

Retirees: 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, 2021. 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, 2018 valuation.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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

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

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

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.10%
International Equity Pools	15.00%	6.70%
Private Equity Pools	16.00%	8.70%
Real Estate and Infrastructure Pools	10.00%	5.30%
Fixed Income Pools	13.00%	-0.20%
Absolute Return Pools	9.00%	2.70%
Real Return/Opportunistic Pools	10.00%	5.80%
Short Term Investment Pools	2.00%	-0.50%
	<u>100.00%</u>	

* Long term rate of return are net of administrative expenses and 2.2% inflation.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, 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 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit'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	\$ 311,470,546	\$ 236,028,964	\$ 173,861,702

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 22,145,231	\$ 13,202,087	\$ 5,670,850

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 5,528,403	\$ 13,202,087	\$ 21,815,950

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 2022 Annual Comprehensive 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 - RISK MANAGEMENT

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

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2023 are as follows:

Receivable Fund		Payable Fund	
2023 Capital Projects	\$ 1,694,100	General	\$ 2,242,385
Student / School Activities	14,145	Debt Service	49,495
Sinking	1,424,810	Food Service	841,175
	\$ 3,133,055		\$ 3,133,055

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

NOTE 9 - TRANSFERS

During the year, the food service fund transferred \$422,400 to the general fund for indirect cost reimbursement.

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. 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 government expects such amounts, if any, to be immaterial.

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*. For the year ended June 30, 2023, the District did not receive any significant reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no significant abatements made by the District.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The following restatement of beginning fund balance, capital assets, and prepaid expenses were made during the period, which were the result of the change in accounting principle. These adjustments were reported as changes to the beginning balances. The changes for fund balance, capital assets, and prepaid expenses are as follows:

	General Fund Fund Balance	Prepaid Expenses	Capital Assets
Balance as of July 1, 2022, as previously stated	\$ 17,058,703	\$ 949,666	\$ 189,848,560
Adoption of GASB 96	(731,427)	(731,427)	731,427
Balance as of July 1, 2022, as restated	\$ 16,327,276	\$ 218,239	\$ 190,579,987

The restatement of the beginning of the year had no impact on net position.

NOTE 13 - LEASE RECEIVABLE

The District leases various pieces of land to third parties. These lease agreements are long-term and expire at various times from 2031 through 2038. Under the leases, the District will receive monthly payments ranging from \$4,932 to \$5,885. The District recognized \$108,470 in lease revenue during the current fiscal year related to these leases. As of June 30, 2023, the District's receivable for lease payments was \$1,371,646. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$1,371,646.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

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

REQUIRED SUPPLEMENTARY INFORMATION

**KENTWOOD PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 22,401,722	\$ 23,197,400	\$ 23,598,528	\$ 401,128
State sources	82,510,686	95,691,200	94,657,023	(1,034,177)
Interdistrict sources	12,960,022	15,001,979	16,533,561	1,531,582
Federal sources	17,559,313	16,498,500	15,985,505	(512,995)
TOTAL REVENUES	135,431,743	150,389,079	150,774,617	385,538
EXPENDITURES				
Current				
Instruction				
Basic programs	61,684,947	67,219,600	66,454,271	765,329
Added needs	19,137,339	18,611,800	17,038,894	1,572,906
Total instruction	80,822,286	85,831,400	83,493,165	2,338,235
Supporting services				
Pupil	9,715,486	9,982,200	9,795,589	186,611
Instructional staff	8,461,565	10,387,500	10,019,433	368,067
General administration	1,082,324	1,247,900	1,233,590	14,310
School administration	6,850,195	7,608,400	7,266,407	341,993
Business	27,960,400	29,400,300	30,543,806	(1,143,506)
Athletics	2,134,125	2,819,400	2,954,927	(135,527)
Total supporting services	56,204,095	61,445,700	61,813,752	(368,052)
Community services	231,222	1,005,100	876,246	128,854
Capital outlay	-	1,096,000	1,833,995	(737,995)
TOTAL EXPENDITURES	137,257,603	149,378,200	148,017,158	1,361,042
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,825,860)	1,010,879	2,757,459	1,746,580
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	81,421	81,421	-
Transfers in	-	422,400	422,400	-
TOTAL OTHER FINANCING SOURCES (USES)	-	503,821	503,821	-
NET CHANGE IN FUND BALANCE	\$ (1,825,860)	\$ 1,514,700	3,261,280	\$ 1,746,580
FUND BALANCE				
Beginning of year, as restated			16,327,276	
End of year			\$ 19,588,556	

**KENTWOOD PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<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 (%)	0.62759%	0.62374%	0.61455%	0.60071%	0.58337%	0.57918%	0.57698%	0.56389%	0.54650%
Reporting Unit's proportionate share of net pension liability	\$ 236,028,964	\$ 147,673,025	\$ 211,103,638	\$ 198,934,485	\$ 175,372,314	\$ 150,089,535	\$ 143,952,353	\$ 137,730,274	\$ 120,373,886
Reporting Unit's covered-employee payroll	\$ 60,979,870	\$ 56,263,627	\$ 49,425,345	\$ 50,766,669	\$ 50,501,562	\$ 49,217,270	\$ 48,654,867	\$ 48,444,603	\$ 47,521,054
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	387.06%	262.47%	427.12%	391.86%	347.26%	304.95%	295.86%	284.30%	253.31%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.01%	62.92%	66.20%

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

KENTWOOD PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED OF THE YEAR ENDED JUNE 30)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 28,719,978	\$ 21,906,266	\$ 18,146,028	\$ 17,265,237	\$ 15,810,822	\$ 14,671,500	\$ 13,202,172	\$ 12,250,610	\$ 10,372,633
Pension contributions in relation to statutorily required contributions	<u>28,719,978</u>	<u>21,906,266</u>	<u>18,146,028</u>	<u>17,265,237</u>	<u>15,810,822</u>	<u>14,671,500</u>	<u>13,202,172</u>	<u>12,250,610</u>	<u>10,372,633</u>
Contribution deficiency (excess)	<u>\$ -</u>								
Reporting Unit's covered-employee payroll (pension)	\$ 66,463,168	\$ 60,790,218	\$ 58,041,595	\$ 55,786,544	\$ 52,470,643	\$ 49,744,272	\$ 48,654,867	\$ 48,444,602	\$ 48,065,957
Pension contributions as a percentage of covered-employee payroll	43.21%	36.04%	31.26%	30.95%	30.13%	29.49%	27.13%	25.29%	21.58%

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

**KENTWOOD PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.62331%	0.63276%	0.62445%	0.61416%	0.58954%	0.57900%
Reporting Unit's proportionate share of net other postemployment benefits liability	\$ 13,202,087	\$ 9,658,345	\$ 33,453,337	\$ 44,083,021	\$ 46,862,066	\$ 51,273,277
Reporting Unit's covered-employee payroll	\$ 60,979,870	\$ 56,263,627	\$ 49,425,345	\$ 50,766,669	\$ 50,501,562	\$ 49,217,270
Reporting Unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	21.65%	17.17%	67.68%	86.83%	92.79%	104.18%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

**KENTWOOD PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED OF THE YEAR ENDED JUNE 30)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required other postemployment benefits contributions	\$ 5,162,911	\$ 5,286,873	\$ 4,582,592	\$ 4,804,606	\$ 4,432,249	\$ 4,057,564
Other postemployment benefits contributions in relation to statutorily required contributions	<u>5,162,911</u>	<u>5,286,873</u>	<u>4,582,592</u>	<u>4,804,606</u>	<u>4,432,249</u>	<u>4,057,564</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Reporting Unit's covered-employee payroll (OPEB)	\$ 66,463,168	\$ 60,790,218	\$ 58,041,595	\$ 55,786,544	\$ 52,470,643	\$ 49,744,272
Other post employment benefit contributions as a percentage of covered-employee payroll	7.77%	8.70%	7.90%	8.61%	8.45%	8.16%

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

**KENTWOOD PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate decreased to 6.00% from 6.95%.

ADDITIONAL SUPPLEMENTARY INFORMATION

**KENTWOOD PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2023**

	Special Revenue		Capital Projects			Total Nonmajor Funds
	Food Service	Student/ School Activities	Sinking Fund	2016 Capital Projects Fund	Debt Service	
ASSETS						
Cash and cash equivalents	\$ 909,707	\$ 545,446	\$ -	\$ -	\$ 5,908	\$ 1,461,061
Investments	3,915,341	-	-	-	747,452	4,662,793
Receivables						
Accounts receivable	-	5,000	-	-	-	5,000
Intergovernmental	105,167	-	-	-	-	105,167
Due from other funds	-	14,145	1,424,810	-	-	1,438,955
Prepays	-	250	-	-	-	250
Inventories	38,272	-	-	-	-	38,272
Restricted cash and cash equivalents - capital projects	-	-	930,206	822,513	-	1,752,719
TOTAL ASSETS	\$ 4,968,487	\$ 564,841	\$ 2,355,016	\$ 822,513	\$ 753,360	\$ 9,464,217
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 19,603	\$ 50,602	\$ 323,010	\$ 822,513	\$ -	\$ 1,215,728
Accrued salaries and related items	49,365	-	-	-	-	49,365
Accrued retirement	10,000	-	-	-	-	10,000
Unearned revenue	62,628	-	-	-	-	62,628
Due to other funds	841,175	-	-	-	49,495	890,670
TOTAL LIABILITIES	982,771	50,602	323,010	822,513	49,495	2,228,391
FUND BALANCES						
Nonspendable						
Prepays	-	250	-	-	-	250
Inventory	38,272	-	-	-	-	38,272
Restricted						
Food service	3,947,444	-	-	-	-	3,947,444
Debt service	-	-	-	-	703,865	703,865
Capital projects	-	-	2,032,006	-	-	2,032,006
Committed						
Student/school activities	-	513,989	-	-	-	513,989
TOTAL FUND BALANCES	3,985,716	514,239	2,032,006	-	703,865	7,235,826
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,968,487	\$ 564,841	\$ 2,355,016	\$ 822,513	\$ 753,360	\$ 9,464,217

**KENTWOOD PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2023**

	Special Revenue		Capital Projects		Debt Service	Total Nonmajor Funds
	Food Service	Student/ School Activities	Sinking Fund	2016 Capital Projects Fund		
REVENUES						
Local sources	\$ 196,013	\$ 853,696	\$ 3,935,153	\$ 40,218	\$ 10,092,696	\$ 15,117,776
State sources	184,475	-	245,060	-	623,641	1,053,176
Federal sources	8,065,847	-	-	-	-	8,065,847
TOTAL REVENUES	8,446,335	853,696	4,180,213	40,218	10,716,337	24,236,799
EXPENDITURES						
Food service	7,106,303	-	-	-	-	7,106,303
Student/school activities	-	889,575	-	-	-	889,575
Capital outlay	1,437,555	-	2,261,156	2,741,669	-	6,440,380
Debt service						
Principal repayment	-	-	-	-	8,000,000	8,000,000
Interest	-	-	-	-	3,424,460	3,424,460
Other expenses	-	-	-	-	999	999
TOTAL EXPENDITURES	8,543,858	889,575	2,261,156	2,741,669	11,425,459	25,861,717
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(97,523)	(35,879)	1,919,057	(2,701,451)	(709,122)	(1,624,918)
OTHER FINANCING SOURCES (USES)						
Transfers out	(422,400)	-	-	-	-	(422,400)
NET CHANGE IN FUND BALANCES	(519,923)	(35,879)	1,919,057	(2,701,451)	(709,122)	(2,047,318)
FUND BALANCES						
Beginning of year	4,505,639	550,118	112,949	2,701,451	1,412,987	9,283,144
End of year	<u>\$ 3,985,716</u>	<u>\$ 514,239</u>	<u>\$ 2,032,006</u>	<u>\$ -</u>	<u>\$ 703,865</u>	<u>\$ 7,235,826</u>

**KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$29,935,000 Building and site bonds issued February 2, 2016.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 1,200,000	\$ 632,250	\$ 632,250	2024	\$ 2,464,500
1,200,000	602,250	602,250	2025	2,404,500
1,200,000	572,250	572,250	2026	2,344,500
1,205,000	542,250	542,250	2027	2,289,500
1,205,000	512,125	512,125	2028	2,229,250
1,205,000	482,000	482,000	2029	2,169,000
1,205,000	451,875	451,875	2030	2,108,750
1,205,000	421,750	421,750	2031	2,048,500
1,205,000	391,625	391,625	2032	1,988,250
1,205,000	361,500	361,500	2033	1,928,000
1,205,000	331,375	331,375	2034	1,867,750
1,205,000	301,250	301,250	2035	1,807,500
1,205,000	271,125	271,125	2036	1,747,250
1,205,000	241,000	241,000	2037	1,687,000
1,205,000	210,875	210,875	2038	1,626,750
1,205,000	180,750	180,750	2039	1,566,500
1,205,000	150,625	150,625	2040	1,506,250
1,205,000	120,500	120,500	2041	1,446,000
1,205,000	90,375	90,375	2042	1,385,750
1,205,000	60,250	60,250	2043	1,325,500
1,205,000	30,125	30,125	2044	1,265,250
<u>\$ 25,290,000</u>	<u>\$ 6,958,125</u>	<u>\$ 6,958,125</u>		<u>\$ 39,206,250</u>

The bonds were approved by the Board of Education at the November 3, 2015 meeting to be used for school building and site purposes. The bonds carry interest rates of 5.00%.

**KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$17,340,000 Building and site bonds issued February 6, 2019.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 1,055,000	\$ 397,400	\$ 397,400	2024	\$ 1,849,800
1,055,000	376,300	376,300	2025	1,807,600
1,160,000	355,200	355,200	2026	1,870,400
1,260,000	332,000	332,000	2027	1,924,000
1,320,000	306,800	306,800	2028	1,933,600
1,370,000	280,400	280,400	2029	1,930,800
1,440,000	253,000	253,000	2030	1,946,000
1,445,000	217,000	217,000	2031	1,879,000
1,445,000	180,875	180,875	2032	1,806,750
1,445,000	144,750	144,750	2033	1,734,500
1,445,000	108,625	108,625	2034	1,662,250
1,450,000	72,500	72,500	2035	1,595,000
1,450,000	36,250	36,250	2036	1,522,500
<u>\$ 17,340,000</u>	<u>\$ 3,061,100</u>	<u>\$ 3,061,100</u>		<u>\$ 23,462,200</u>

The bonds were approved by the Board of Education at the November 3, 2015 meeting to be used for school building and site purposes. The bonds carry interest rates ranging from 4.00% to 5.00%.

**KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$8,925,000 Building and site bonds issued June 23, 2020.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 215,000	\$ 128,875	\$ 128,875	2024	\$ 472,750
325,000	124,575	124,575	2025	574,150
335,000	118,075	118,075	2026	571,150
345,000	111,375	111,375	2027	567,750
385,000	104,475	104,475	2028	593,950
385,000	96,775	96,775	2029	578,550
385,000	89,075	89,075	2030	563,150
385,000	81,375	81,375	2031	547,750
385,000	75,600	75,600	2032	536,200
385,000	69,825	69,825	2033	524,650
385,000	64,050	64,050	2034	513,100
385,000	58,275	58,275	2035	501,550
385,000	52,500	52,500	2036	490,000
385,000	46,725	46,725	2037	478,450
390,000	40,950	40,950	2038	471,900
390,000	35,100	35,100	2039	460,200
390,000	29,250	29,250	2040	448,500
390,000	23,400	23,400	2041	436,800
390,000	17,550	17,550	2042	425,100
390,000	11,700	11,700	2043	413,400
390,000	7,200	7,200	2044	404,400
<u>\$ 7,800,000</u>	<u>\$ 1,386,725</u>	<u>\$ 1,386,725</u>		<u>\$ 10,573,450</u>

The bonds were approved by the Board of Education at the November 3, 2015 meeting to be used for school building and site purposes. The bonds carry interest rates ranging from 3.00% to 4.00%.

**KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$19,775,000 Building and site bonds issued June 15, 2022.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 500,000	\$ 443,313	\$ 443,313	2024	\$ 1,386,625
500,000	433,313	433,313	2025	1,366,625
500,000	423,313	423,313	2026	1,346,625
350,000	413,313	413,313	2027	1,176,625
350,000	406,313	406,313	2028	1,162,625
350,000	399,313	399,313	2029	1,148,625
350,000	392,313	392,313	2030	1,134,625
350,000	385,313	385,313	2031	1,120,625
350,000	378,313	378,313	2032	1,106,625
350,000	371,313	371,313	2033	1,092,625
350,000	364,313	364,313	2034	1,078,625
350,000	357,313	357,313	2035	1,064,625
350,000	350,313	350,313	2036	1,050,625
1,000,000	342,438	342,438	2037	1,684,875
1,000,000	319,938	319,938	2038	1,639,875
1,000,000	297,438	297,438	2039	1,594,875
1,000,000	274,938	274,938	2040	1,549,875
1,000,000	249,938	249,938	2041	1,499,875
1,000,000	224,938	224,938	2042	1,449,875
1,000,000	199,938	199,938	2043	1,399,875
1,000,000	174,938	174,938	2044	1,349,875
1,690,000	152,438	152,438	2045	1,994,875
1,695,000	114,413	114,413	2046	1,923,825
1,695,000	76,275	76,275	2047	1,847,550
1,695,000	38,138	38,138	2048	1,771,275
<u>\$ 19,775,000</u>	<u>\$ 7,583,825</u>	<u>\$ 7,583,825</u>		<u>\$ 34,942,650</u>

The bonds were approved by the Board of Education at the May 4, 2021 meeting to be used for school building and site purposes. The bonds carry interest rates ranging from 4.00% to 5.00%.

**KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$76,420,000 Building and site bonds issued May 31, 2023.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 1,645,000	\$ 1,910,500	\$ 1,602,697	2024	\$ 5,158,197
1,980,000	1,869,375	1,869,375	2025	5,718,750
2,435,000	1,819,875	1,819,875	2026	6,074,750
-	1,759,000	1,759,000	2027	3,518,000
-	1,759,000	1,759,000	2028	3,518,000
-	1,759,000	1,759,000	2029	3,518,000
-	1,759,000	1,759,000	2030	3,518,000
-	1,759,000	1,759,000	2031	3,518,000
-	1,759,000	1,759,000	2032	3,518,000
650,000	1,759,000	1,759,000	2033	4,168,000
920,000	1,742,750	1,742,750	2034	4,405,500
920,000	1,719,750	1,719,750	2035	4,359,500
1,240,000	1,696,750	1,696,750	2036	4,633,500
1,525,000	1,665,750	1,665,750	2037	4,856,500
1,880,000	1,627,625	1,627,625	2038	5,135,250
2,235,000	1,580,625	1,580,625	2039	5,396,250
2,590,000	1,524,750	1,524,750	2040	5,639,500
2,955,000	1,460,000	1,460,000	2041	5,875,000
3,345,000	1,386,125	1,386,125	2042	6,117,250
3,755,000	1,302,500	1,302,500	2043	6,360,000
4,165,000	1,208,625	1,208,625	2044	6,582,250
4,550,000	1,104,500	1,104,500	2045	6,759,000
4,915,000	990,750	990,750	2046	6,896,500
4,955,000	867,875	867,875	2047	6,690,750
4,960,000	744,000	744,000	2048	6,448,000
4,960,000	620,000	620,000	2049	6,200,000
4,960,000	496,000	496,000	2050	5,952,000
4,960,000	372,000	372,000	2051	5,704,000
4,960,000	248,000	248,000	2052	5,456,000
4,960,000	124,000	124,000	2053	5,208,000
<u>\$ 76,420,000</u>	<u>\$ 40,395,125</u>	<u>\$ 40,087,322</u>		<u>\$ 156,902,447</u>

The bonds were approved by the Board of Education at the May 4, 2021 meeting to be used for school building and site purposes. The bonds carry interest rates of 5.00%.

**KENTWOOD PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Agency/Pass-through Agency/Program Title	Pass-through Grantor's Number	Federal Assistance Listing Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue 7/1/2022	Current Year Receipts	Federal Expenditures	Accrued (Unearned) Revenue 6/30/2023
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through the Michigan Department of Education								
Child Nutrition Cluster								
Non-Cash Assistance (Donated Foods)								
Entitlement Donated Foods	N/A	10.555	\$ 558,154	\$ -	\$ -	\$ 558,154	\$ 558,154	\$ -
Entitlement Donated Foods - Bonus	N/A		<u>67,121</u>	<u>-</u>	<u>-</u>	<u>67,121</u>	<u>67,121</u>	<u>-</u>
Total non-cash assistance (donated foods)			<u>625,275</u>	<u>-</u>	<u>-</u>	<u>625,275</u>	<u>625,275</u>	<u>-</u>
Cash Assistance								
National School Lunch Program	221960	10.555	748,028	36,267	36,267	748,028	711,761	-
	220910		287,389	-	(173,400)	176,617	287,389	(62,628)
	221961		4,114,859	4,065,748	29,387	78,498	49,111	-
	231960		<u>3,785,508</u>	<u>-</u>	<u>-</u>	<u>3,725,862</u>	<u>3,785,508</u>	<u>59,646</u>
Total cash assistance			<u>8,935,784</u>	<u>4,102,015</u>	<u>(107,746)</u>	<u>4,729,005</u>	<u>4,833,769</u>	<u>(2,982)</u>
Total ALN 10.555			<u>9,561,059</u>	<u>4,102,015</u>	<u>(107,746)</u>	<u>5,354,280</u>	<u>5,459,044</u>	<u>(2,982)</u>
School Breakfast Program	221971	10.553	2,146,873	2,115,014	17,561	49,419	31,858	-
	221970		384,941	32,068	32,068	384,941	352,873	-
	231970		<u>1,950,784</u>	<u>-</u>	<u>-</u>	<u>1,907,087</u>	<u>1,950,784</u>	<u>43,697</u>
Total ALN 10.553			<u>4,482,598</u>	<u>2,147,082</u>	<u>49,629</u>	<u>2,341,447</u>	<u>2,335,515</u>	<u>43,697</u>
Total Child Nutrition Cluster			<u>14,043,657</u>	<u>6,249,097</u>	<u>(58,117)</u>	<u>7,695,727</u>	<u>7,794,559</u>	<u>40,715</u>
Child and Adult Care Food Program	221920	10.558	197,203	165,807	26,911	58,307	31,396	-
	222010		11,059	9,251	1,501	3,309	1,808	-
	231920		219,496	-	-	217,771	219,496	1,725
	232010		<u>12,638</u>	<u>-</u>	<u>-</u>	<u>12,539</u>	<u>12,638</u>	<u>99</u>
Total ALN 10.558			<u>440,396</u>	<u>175,058</u>	<u>28,412</u>	<u>291,926</u>	<u>265,338</u>	<u>1,824</u>
COVID-19 - Pandemic EBT Local Level Costs	220980	10.649	5,950	-	-	5,950	5,950	-
Total U.S. Department of Agriculture			<u>14,490,003</u>	<u>6,424,155</u>	<u>(29,705)</u>	<u>7,993,603</u>	<u>8,065,847</u>	<u>42,539</u>

The accompanying notes are an integral part of this schedule.

**KENTWOOD PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Agency/Pass-through Agency/Program Title	Pass-through Grantor's Number	Federal Assistance Listing Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue 7/1/2022	Current Year Receipts	Federal Expenditures	Accrued (Unearned) Revenue 6/30/2023
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	221530-2122	84.010	\$ 2,534,653	\$ 1,711,708	\$ 244,835	\$ 270,928	\$ 26,093	\$ -
	231530-2223		2,884,949	-	-	1,825,947	2,239,436	413,489
Passed through Kent Intermediate School District								
Title I Grants to Local Educational Agencies	221570-2122	84.010A	199,562	135,584	25,382	25,382	-	-
	231570-2223		178,461	-	-	157,644	178,461	20,817
	231580-2223		30,900	-	-	-	30,900	30,900
Total ALN 84.010			5,828,525	1,847,292	270,217	2,279,901	2,474,890	465,206
Passed through Michigan Department of Education								
Twenty-First Century Community Learning Centers								
	222110-L194223	84.287	540,000	540,000	116,065	116,065	-	-
	222110-L194290		675,000	675,000	135,701	135,701	-	-
	222110-L194291		675,000	675,000	195,697	195,697	-	-
	232110-L194223		600,000	-	-	507,814	600,000	92,186
	232110-L194290		750,000	-	-	584,903	750,000	165,097
	232110-L194291		750,000	-	-	548,385	750,000	201,615
Total ALN 84.287			3,990,000	1,890,000	447,463	2,088,565	2,100,000	458,898
English Language Acquisition State Grants								
	220570-2122	84.365	110,105	29,926	9,098	42,464	33,366	-
	220580-2122		330,407	257,139	18,832	18,832	-	-
	230570-2223		113,503	-	-	-	40,995	40,995
	230580-2223		312,574	-	-	161,271	176,160	14,889
Total ALN 84.365			866,589	287,065	27,930	222,567	250,521	55,884
Supporting Effective Instruction State Grants								
	220520-2122	84.367	743,807	589,540	169,299	172,778	3,479	-
	230520-2223		479,791	-	-	272,434	365,415	92,981
Total ALN 84.367			1,223,598	589,540	169,299	445,212	368,894	92,981
Education Stabilization Fund								
COVID-19 Elementary and Secondary School Emergency Relief Fund (98c Learning Loss)								
	213782-2223	84.425D	476,996	-	-	-	164,752	164,752
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER Formula Funds II)								
	213712-2021	84.425D	7,006,423	4,050,457	556,318	2,508,620	2,955,966	1,003,664
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Program K-8)								
	213722-2122	84.425D	682,550	519,927	12,909	175,532	162,623	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP/ESSER III)								
	213713-2122	84.425U	15,746,622	3,118,982	1,147,910	3,192,549	3,774,664	1,730,025
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Credit Recovery 9-12)								
	213742-2122	84.425D	436,700	256,662	7,088	187,126	180,038	-
Total ALN 84.425			24,349,291	7,946,028	1,724,225	6,063,827	7,238,043	2,898,441

The accompanying notes are an integral part of this schedule.

**KENTWOOD PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Agency/Pass-through Agency/Program Title	Pass-through Grantor's Number	Federal Assistance Listing Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue 7/1/2022	Current Year Receipts	Federal Expenditures	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Education (continued)</u>								
Passed through Kent Intermediate School District Special Education Cluster								
Special Education Grants to States	220450-2122	84.027A	\$ 2,553,093	\$ 2,547,974	\$ 503,335	\$ 503,335	\$ -	\$ -
	230450-2223	84.027A	2,685,417	-	-	2,122,887	2,685,417	562,530
COVID -19 - Special Education Grants to States 21/22 ARP	221280-2122	84.027X	308,030	297,886	337	280,864	308,030	27,503
Passed through Marquette Alger Regional Educational Service Agency Special Education Cluster								
Special Education Grants to States	230470-2D33	84.027A	4,800	-	-	-	4,800	4,800
Total ALN 84.027			<u>5,551,340</u>	<u>2,845,860</u>	<u>503,672</u>	<u>2,907,086</u>	<u>2,998,247</u>	<u>594,833</u>
Passed through Kent Intermediate School District Special Education Cluster								
Special Education Preschool Grants	220460-2122	84.173A	114,221	114,221	19,672	19,672	-	-
	230460-2223	84.173A	121,451	-	-	103,471	121,451	17,980
COVID -19 - Special Education Preschool Grants 21/22 ARP	221285-2122	84.173X	56,686	28,360	-	28,326	28,326	-
Total ALN 84.173			<u>292,358</u>	<u>142,581</u>	<u>19,672</u>	<u>151,469</u>	<u>149,777</u>	<u>17,980</u>
Total Special Education Cluster			<u>5,843,698</u>	<u>2,988,441</u>	<u>523,344</u>	<u>3,058,555</u>	<u>3,148,024</u>	<u>612,813</u>
Passed through Michigan Department of Education Student Support and Academic Enrichment Program								
	220750-2122	84.424	248,936	196,675	88,069	88,260	191	-
	230750-2223		199,747	-	-	141,966	170,357	28,391
Total ALN 84.424			<u>448,683</u>	<u>196,675</u>	<u>88,069</u>	<u>230,226</u>	<u>170,548</u>	<u>28,391</u>
Passed through Kent Intermediate School District Education for Homeless Children and Youth								
	212320-2023	84.196	8,125	-	-	8,125	8,125	-
Total U.S. Department of Education			<u>42,558,509</u>	<u>15,745,041</u>	<u>3,250,547</u>	<u>14,396,978</u>	<u>15,759,045</u>	<u>4,612,614</u>
<u>U.S. Department of Health and Human Services</u>								
Passed through Kent Intermediate School District COVID -19 - Epidemiology and Laboratory Capacity for Infectious Diseases								
	222810-HRA2022	93.323	30,421	30,421	30,421	30,421	-	-
	232810-HRA2023		50,922	-	-	27,975	50,922	22,947
Total ALN 93.323			<u>81,343</u>	<u>30,421</u>	<u>30,421</u>	<u>58,396</u>	<u>50,922</u>	<u>22,947</u>
Total U.S. Department of Health and Human Services			<u>81,343</u>	<u>30,421</u>	<u>30,421</u>	<u>58,396</u>	<u>50,922</u>	<u>22,947</u>
TOTAL FEDERAL AWARDS			<u>\$ 57,129,855</u>	<u>\$ 22,199,617</u>	<u>\$ 3,251,263</u>	<u>\$ 22,448,977</u>	<u>\$ 23,875,814</u>	<u>\$ 4,678,100</u>

The accompanying notes are an integral part of this schedule.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Kentwood Public Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Kentwood Public Schools, it is not intended to and does not present the financial position or changes in net position of Kentwood Public Schools.

Management has utilized NexSys, the Cash Management System and Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Kentwood Public Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2023:

General fund	\$ 15,985,505
Other nonmajor governmental funds	<u>8,065,847</u>
Total federal revenue in the fund financial statements	24,051,352
Less: Federal assistance funding not subject to single audit act	<u>(175,538)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 23,875,814</u></u>



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**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 of
Kentwood Public Schools

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 Kentwood Public Schools as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Kentwood Public Schools' basic financial statements and have issued our report thereon dated September 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kentwood Public 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 the Kentwood Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Kentwood Public 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kentwood Public 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

September 27, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education of
Kentwood Public Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kentwood Public Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Kentwood Public Schools' major federal programs for the year ended June 30, 2023. Kentwood Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kentwood Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Kentwood Public Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Kentwood Public Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Kentwood Public Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kentwood Public Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Kentwood Public Schools' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kentwood Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Kentwood Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Kentwood Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maney Costeiran PC

September 27, 2023

**KENTWOOD PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.173 and 84.027	Special Education Cluster
84.425D and 84.425U	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

**KENTWOOD PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

There were no audit findings in the previous year.



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September 27, 2023

To the Board of Education of
Kentwood Public Schools

In planning and performing our audit of the financial statements of Kentwood Public Schools as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Kentwood Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted two matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 27, 2023 on the financial statements of Kentwood Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

Athletic Event Cash Procedures

During our procedures, we noted that the District's cash collection procedures at athletic events lack adequate ticketing and tracking controls. Given the high volume of relatively small transactions, these cash collections pose a high risk of asset misappropriation. We recommend Kentwood Public Schools implement a cashless system for as many attendees as possible and strengthen controls around the remaining cash collections. A dual ticketing system should be implemented in which one individual collects cash and provides a ticket to the patron and the second individual collects the ticket for entrance into the event. The ticket count and cash collection should be reconciled at the end of the event and a reconciliation should be signed by both volunteers. The amount of tickets sold should be matched to cash received and deposited by an individual independent of the cash receipt procedures. Similar procedure should be followed for the sale of season passes using a numbering system that can be traced back and reconciled to season pass deposits.

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Kentwood Public Schools develop a plan to spend down the excess by June 30, 2024.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maney Costeiran PC



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September 27, 2023

To the Board of Education of
Kentwood Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kentwood Public Schools for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 Kentwood Public Schools are described in Note 1 to the financial statements. In the current year, the District adopted new accounting guidance, GASB No. 96, *Subscription-based IT Agreements*. The application of existing policies was not changed during fiscal year 2023. We noted no transactions entered into by the District 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 employee 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 by management 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. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 September 27, 2023.

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 the District’s 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 the District’s 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 our 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 the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other 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 other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Kentwood Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC